FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,566 Monday September 7 1981 ***30p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 30; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 1000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 42p; MALTA 25c

NEWS SUMMARY

GENERAL

Egyptian plebiscite on Sadat measures

President Sadat of Egypt announced a referendum on a series of drastic measures intended to lessen political opposition and reduce religious violence.

Mr Sadat closed seven newspapers, dismissed Pope Shenouda as patriarch of the Coptic Church, and arrested 1,536 people.

Previous referenda have resulted in more than 98 per cent approval for presidential actions. Back Page; Background, Page 2; Editorial comment, Page 12

Namibia hope

The U.S. and South Africa have made "considerable progress" *on a plan for Namibian independence.* U.S. Secretary of State Alexander Haig said. Back Page; Angola postpones mercy mission, Page 2

Solidarity meets

Solidarity, the Polish free trade union, said at its first congress that it will lead a "revolution" to solve the country's economic and social crisis. Back Page

Lebanon shooting

The Israeli-backed Lebanese Christian militia exchanged fire with Dutch United Nations troops—the first serious infringement of the ceasefire zone.

Reshuffle talks

Mrs Thatcher is expected to consult senior colleagues today and tomorrow over an expected Cabinet reshuffle. Page 4

Ripper claim

Marilyn Moore, 28, who survived an attack by Yorkshire Ripper Peter Sutcliffe, and Mrs Irene MacDonald, whose daughter Jayne was killed, plan to sue for damages in the High Court.

Jail drugs move

A new system to record drug dosages in prisons was announced by Home Secretary William Whitelaw after protests from a Labour MP over the death of a man in a prison hospital wing.

Waste safety call

A House of Lords committee report recommends tighter controls on the disposal of hazardous waste. Page 6

Housing setback

Government hopes of making housing legislation a key element in the next parliamentary session are endangered by drafting difficulties. Page 4

Concorde boost

British Airways plans Concorde flights timed to allow travellers a full day's work in London before leaving or in New York after arrival. Page 4

Back to Shanghai

China plans to re-establish a foreign business estate in Shanghai, more than 30 years after soldiers closed the city's foreign enclaves.

Births incentive

The Soviet Government announced a roubles 2.5bn package of maternity and pensions benefits apparently largely intended to reverse the declining birthrate in European Russia.

Win for Europe

Europe won the men's section of the athletics World Cup in Rome; East Germany won the women's. At Hoylake, near Liverpool, Graham Marsh of Australia won the European golf championship. Sport, Page 11

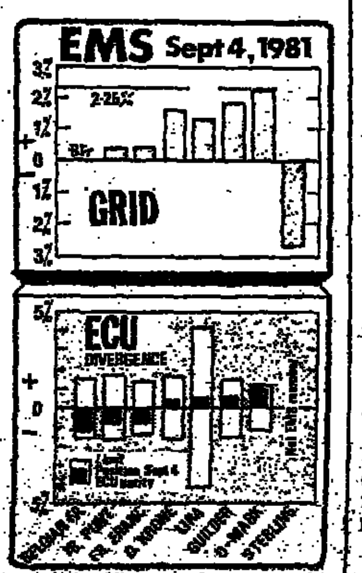
BUSINESS

CEGB in plan to mothball old plant

● **CENTRAL ELECTRICITY** *Generating Board plans to* mothball or close 3,308 megawatts *of old plant* at 21 power stations next year, with the loss *of about 1,700 jobs. Back Page*

● **BELGIAN FRANC** remained the weakest currency of the European Monetary System last week but was well within its divergence limit, while the D-mark was *again* the strongest member. The French franc *showed* little *change, despite* moves to cut French domestic interest rates.

Fears of a realignment of the EMS continued to fade.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **JAPAN** offered China loans of about Y300bn *(£707m)* to relaunch some big construction *projects* cancelled earlier this year. Page 3

● **BRAZIL** and **IRAQ** are to establish a joint venture trade bank with initial capital of $40m (£21.8m). Page 3

● **BRITISH INDUSTRY** has had much lower rates of return on fixed assets than its international competitors since the early 1960s, says a new survey. Back Page

● **MODEST TAX CUT** may be *possible in next Spring's Budget* if the Government keeps to *spending* cuts planned for this autumn, said brokers Phillips and Drew. Page 5

● **LOCAL AUTHORITIES** are worried that Government assumptions on inflation over the next three years are too optimistic. Page 5

● **BRITISH STEEL** expects to sell about £50m of welded tubing and casing in the U.S. this year following a big rise in oil drilling activity. Page 3

● **DEUTSCHE BP** was accused of campaigning for higher German oil taxes to hit its competitors' profits. Page 2

● **PORSCHE CARS** Great Britain predicts a further rise *in sale this year to about 2,500* cars despite the downturn in *the new car market.* Page 6

● **CARRIAN INVESTMENTS** of Hong Kong merged its shipping interests with Grande Marine Holdings in a HK$222m (£20m) deal. Page 20

● **ANGLO SCOTTISH** Air Parcels plans to be the first airline to win a share of the UK parcels market. Page 5

● **VINERS** rights issue, part of the agreed offer by a U.S. consortium to take over the Sheffield cutler, will raise a net £1.45m. Page 14

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Changes to Trident could raise cost for UK by 20%

BY BRIDGET BLOOM

THE GOVERNMENT is believed to be ready to order a version of the Trident nuclear submarine system which could increase the cost of the future British independent deterrent by at least 20 per cent.

A government decision on Trident, which is bound to be controversial both in view of current defence spending cuts *and of the growing* strength of nuclear disarmament lobbies, stems directly from nuclear developments in the U.S., from which Britain is to buy the Trident missile.

The move would involve Britain in building larger submarines and ordering bigger and more sophisticated missiles from the U.S. than was planned when the *Trident decision was* announced in July 1980.

Officials have acknowledged that this would add £1bn—at *mid-1980 prices*—to the estimate of £5bn for the total 15-year cost of Trident.

It has been evident for some time that the costs of Britain's Trident, which is to replace the existing Polaris nuclear submarines in the 1990s, could escalate, principally because of the uncertainty surrounding the American Administration's plans for its own Trident system.

The key new element *is that* the U.S. is apparently moving *rapidly towards a decision* which would effectively phase *out the smaller cheaper Trident* 1 missile—which Britain has *contracted to buy—in favour* of the larger, longer range and more accurate Trident 2 or D5 missile.

The Reagan administration has not yet publicly announced a decision on the D5, which along with the more controversial MX missile, is a live issue in the defence debate in the U.S.

However, it is understood that Mr Caspar Weinberger, the U.S. Secretary of Defence, has privately told Mr John Nott, his British counterpart, that a decision to go for the D5 is now *not only virtually certain but* also imminent.

It is understood that Mr Nott has accepted that as a result, Britain's Trident submarines will have to be larger than *originally planned to allow* them to accommodate the new *missiles and that this will in*evitably affect the cost of the overall *programme.*

The missile issue has presen*ted Britain with a dilemma from* the outset, though its dimen*sions were made public only by* evidence given to the House of *Commons* Select *Committee* earlier this year.

The original Trident deal, as announced by Mr Francis Pym *in July last year,* involved a four submarine force costing £4.5-5bn. A fifth submarine would have cost £600,000 and was quickly dropped. Each vessel would be equipped with 12 to 16 Trident 1 (C4) missiles designed to carry up to eight independently targetable warheads.

These missiles—which would give the Trident fleet at full complement a total of 384 warheads against Polaris's 144—needed a 34 ft launcher tube, which would put the overall hull displacement of the submarine at between 10,000 and 12,000 tons.

By contrast, the D5 missile launcher is some 45 ft in *diameter and any new boat built* to accommodate it would have *to be at least* 15,000 tons and probably nearer 19,000 tons.

Ministry of Defence officials told the Select Committee that *the extra cost of* building a British Trident fleet to accommodate the D5 missile would be about £1bn: £50m in lost "long lead" orders: £200m for enlarging the four submarines, and £750m extra for the new missiles.

At the centre of official arguments in favour of Britain going for the bigger submarine system is the risk *of having an* outdated system by the 1990s *if it does not. Since Trident is* expected to last for 25 years, *modernising programmes*—such as the £1bn Chevaline programme being undertaken for Polaris—could then prove excessively costly.

Opponents of the enlargement argue that Britain could become enmeshed in even greater cost escalation, since D5 is still being developed in the U.S.

They also maintain that the improved accuracy and power of the D5 make it a weapon of far greater sophistication, power and accuracy than Britain needs for a credible independent deterrent.

Cabinet to make torpedo decision, Page 4

Healey chances boosted

BY JOHN LLOYD AND RICHARD EVANS

MR DENIS HEALEY'S chances of retaining the deputy leadership of the Labour Party have improved considerably with the decision by *the executive of the* General and Municipal Workers' *Union, the third largest in the* country, to give him their votes.

The news, in what promises to remain an extremely tight *contest, came as Mr Healey* intensified his campaign against *Mr Tony Benn* his major rival, by accusing him of perpetrating "a cruel deception" in his bid to capture the deputy leadership.

With less than three weeks to go before balloting takes place on the eve of the Labour Party conference in Brighton the former Chancellor warned it would take an incoming Labour Government years to repair the British economy.

In a clear reference to Mr Benn during an interview on Tyne Tees Television, Mr Healey said it was wrong to pretend the present situation could be reversed easily. "And to pretend we could reverse these things in a week or so by abolishing the House of Lords is a cruel deception," he added.

Although Mr Healey's supporters remain confident he will win on the second ballot after *Mr John Silkin is eliminated,* they admit the result will prob*ably depend on* the Transport and General Workers' Union, the country's largest.

Mr Benn's hopes of competing *in the union section of the* electoral college—the largest at 40 per cent—rests on the TGWU. Asusming he gets the votes of the National Union of Public Employees and of the National Union of Mineworkers, both of which are conducting branch ballots, he will still require the massive weight of the TGWU block vote to draw roughly level with Mr Healey.

The TGWU continues to keep everyone, including the candidates, guessing. It is *still* assumed it will vote for Mr *Silkin—a union member—in the* first ballot but may abstain in *the second rather than vote for* either Mr Healey or Mr Benn.

The GMWU decision to back Mr Healey, taken in Blackpool on the eve of the TUC conference, will come as an immense relief to his supporters and it effectively ends Mr Silkin's hopes of securing the deputy leadership.

Mr Healey's backers in the unions now believe he has just short of 50 per cent of the union vote. Besides the GMWU he has the assured support of the Amalgamated Union of Engineering Workers, the shop *workers' union Usdaw and the* Electrical and Plumbing Trades

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Industry sees no quick upturn

BY DAVID MARSH

BRITISH industry is increas*ingly resigned to the prospect* of only a halting recovery from *recession.*

The latest Financial Times survey of business opinion published today shows that com*panies are basing their plans on* a broadly flat economy over the next 12 months, rather than on any rapid rebound after last year's severe downturn. One key reason for doubts about recovery is the continuing high level of U.S. interest rates.

Corporate confidence has improved sharply compared with the highly depressed levels at the end of 1980. But pessimism is growing about the chances of maintaining recent increases in orders, and most companies are reluctant to build up stocks.

The survey is carried out monthly among different industrial sectors. The latest covers the engineering industry (non-electrical), brewers and distillers and paper and connected industries.

One bright spot to emerge is *that companies—particularly in* the engineering sector—are now more optimistic about export prospects following the recent further fall of the pound.

Nearly all respondents in the three sectors expect wage rates to rise by less than 10 per cent over the next 12 months. But unit costs are still forecast to rise by nearly 11 per cent, slightly more than the prices companies can charge for their products—partly because of continuing competitive pressures on tight markets.

Reflecting doubts about the strength of any upturn, the employment outlook remains grim, with most companies still expecting to cut rather than increase their workforces over the next 12 months. The big employers in engineering are *particularly pessimistic.*

Backing up evidence from other surveys and statistics over the summer that the worst of the recession is over, the survey shows that orders and deliveries have recovered sharply from the low point at the end of 1980.

FT Business Opinion, Page 16

Berec fights £73m Hanson bid

BY IAN RODGER

THE DIRECTORS of Berec, the Ever Ready battery group, have *described the terms of the take*over bid announced by Hanson Trust *on Friday* as *totally* inadequate. They strongly advise *shareholders not to sell* their shares. The bid values Berec at £73m.

Hanson has offered three of its shares for *eight* Berec shares, which at Friday's closing Hanson share price of 294½p, amounts to 110.4p per Berec share. The market closing price of Berec shares was 93p. Hanson is also providing an alternative cash offer of 105p per Berec share.

Mr C. G. Stapleton, chairman of Berec, said the company's assets were worth 194p per share or 225p in current cost terms. The company's profits had been depressed in the past four years because of a heavy reinvestment programme and the recession, he argued.

Profits have fallen from a peak of £29m before tax in 1977 *to £10.5m last year when* the final dividend was halved. The *chairman* has *forecast lower* profits in the first half of 1981.

"We *consider* that we are now at the low point and we *expect a positive cash flow* within the next 12 months," Mr Stapleton said.

The directors, who are being advised by S. G. *Warburg on* the bid, had already done their sums for the *second half,* he said. The lower forecast results in the first *half* did not mean there was no room for an increase in the interim dividend.

Mr Stapleton said he was "not directly" looking for *other groups* that might be interested in bidding more than 110p for Berec, "but we always keep our eyes open.

"We wish to remain independent but sometimes you don't have a choice. We think two or three international companies may be interested in us."

Hanson acquired 11 per cent of Berec shares in a market raid on July 10, bringing its holding to 14.9 per cent. Less than two weeks later, it raised £44m in a rights issue.

Last week, Hanson disclosed having purchased a 5 per cent stake in Gulf Resources and Chemical Corporation of the U.S. for $10.14m (£5.5m).

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Mitterrand to unveil plan for European recovery

By David Housego in Paris

President Francois Mitterrand is expected to unveil ambitious *French proposals for joint European co-operation towards economic recovery at his Press* conference on September 24.

He will also explain the main lines of his administration's domestic and foreign policy.

Ministries are liaising on details of the initiative, which will also be raised by the French during President Mitterrand's visit to London later this week.

M Michel Rocard, Minister of the Plan and one of the senior *members of the Government,* spoke in Strasbourg at the end of last *week of the need for a* "European new deal."

France must play a dynamic role in a European revival. Europe would be one area in which France would be making important initiatives

The French proposals, reflecting similar views to those behind the Socialist administration's plans for a domestic recovery, stem from *the belief* that European nations have a common *interest in tackling* the major problems of unemployment and inflation.

Among the areas in which the French would like to see more joint action are industrial and scientific research where the French plan a sharp rise in spending, promotion of new industries, trading policy which, for the French, would involve higher levels of protection to recover domestic markets, energy conservation and development, and common social policies such as the reduction of the working week.

The French appeal for stronger European action at a *time of rising unemployment* and inflation echoes similar proposals being made by the European Commission.

But it is likely to be viewed sceptically by the German and British administrations which have doubts about President Mitterrand's economic remedies, in particular such measures as nationalisation and enlarging the budget deficit.

British fears are also that a French *initiative* could detract from finding solutions to the *problems of the Community* budget, the common agricul*tural policy and fisheries which* are baulking further steps to co-operation. British intransigence on these issues would be seen as foot dragging by the French.

In remarks that would seem to hold out the possibility of further French-British clashes over the Community budget, M Rocard indicated that it was important to stop the British in particular from thinking

Continued on Back Page

H-Block protest shows signs of lost momentum

BY STEWART DALBY IN DUNDALK

THE NATIONAL H-Block/Armagh Committee, the organisation orchestrating sympathy and support for Republican hunger strikers in the Maze Prison, met in conference in Dundalk yesterday, amid signs that the protest is seriously losing momentum.

This follows the decision early yesterday by a "close relative" of Mr Lawrence McKeown to end his fast and make sure he received medical attention. He had been on hunger strike for 70 days and lost consciousness on Saturday.

His was the fifth hunger-strike protest to be called off. Mr Pat McGeown, Mr Paddy Quinn and Mr Matthew Devlin had their fasts brought to end *by relatives when they became* too weak to act for themselves. *None returned to the protest* after receiving food and medicine.

Mr Brendan McLaughlin came off hunger strike early in the protest, after 14 days, because of acute pain caused by ulcers.

Speculation is growing that relatives of Mr Liam McGloskey, who has been on hunger strike for 35 days, will also intervene to save his life.

The determination of the Provisional prisoners to continue their hunger strike could be undermined *by a statement* at the conference from the *smaller Irish Nationalist Libera*tion Army (INLA), suggesting *that* there will probably be no more INLA members joining the strike.

A statement ascribed to the officer commanding INLA prisoners in the Maze to the H-Block committee said: "Until now we have been maintaining a ratio of one INLA prisoner for every three IRA prisoners

However, we have only 28 protesting prisoners and, *if we* continue to maintain our *current ratio, all our prisoners will* be dead within six months.

"We have decided not to replace Mickey Devine, therefore. Any future volunteers will be placed on the hunger strike on a much lower ratio." Mr Devine, who was the former commanding officer of INLA prisoners, was the most recent of the three INLA members to die

In spite of all this, officially, the message emanating from the conference in the Co. Louth Border town was that the *hunger-strike protests, in which* 10 men have died since April *this year, will continue. About* 850 people from throughout Ireland attended the conference.

The Provisional IRA, whose political wing, Sinn Fein, is strongly represented on the H-Block committee, said there are 40 to 50 prisoners who have volunteered to go on hunger strike. Four of the remaining five hunger strikers are Pro*visionals — the other is an* INLA member.

The leadership of *both* the Provisional IRA and INLA have *all along insisted they have no* power to order their members *in prison* either on or off the strike.

The continuance of the protest therefore, would now seem to hinge on whether the reaction of the relatives of the four hunger strikers who have come off the protest has a cumulative effect.

There is strong speculation in Belfast that members of the Roman Catholic hierarchy are beginning to put pressure on *relatives of hunger strikers in* the face of the realisation that *the British Government will* never give in to the five demands.

However, this speculation could not be confirmed by relatives who attended the conference in Dundalk yesterday.

The British Government believes that the five demands over work, clothing, remission, visits and association are tantamount to demanding political status.

The Provisional Sinn Fein refused to condemn the hunger *strikers' families: "The action* of the families is totally under*standable. The families* are in a distressed state," it said.

"The problem is that the British Government will consider the decision of McKeown's family a sign of weakness and refuses to negotiate while families are intervening."

Asked whether the protest was showing signs of weakening, Sinn Fein said: "No. The decisions are not emanating from the hunger strikers themselves. No one is entitled to call the families weak."

The conference voted that any candidate put up either for *the Irish Dail (Parliament) or* Westminster should be an abstentionist candidate. There has been considerable debate within the Republican movement over whether any MPs elected should take their seats.

Mr Owen Carron, who was elected to Westminster as MP for Fermanagh and South Tyrone last month, is refusing to take his seat. This is traditional IRA policy.

*Advocates within the Republi*can movement of elected repre*sentatives taking their seats* have argued that in a situation *like the Republic where the* coalition Government's majority is small, the scope for causing political upheaval is considerable. However, these voices were voted down.

OVERSEAS NEWS

Sadat uses religious rifts to deal with opposition

BY ANTHONY McDERMOTT IN CAIRO

PRESIDENT Anwar Sadat of Egypt faces a crisis largely of *his own making over the* problem of tensions between Moslems and Christian Copts.

On Saturday night he spoke for three hours before a joint session of the People's Assembly and the Consultative Council, without a set text and in the tones of an angry headmaster. In complaining several times of "this impudence, this impudence," he managed to turn localised troubles into a major issue.

It is becoming increasingly clear that, although there have been problems for a long time between Moslems and Copts, who make up about 10 per cent of the population, and although he has tried to confront them through wide-scale arrests—1,537 at the latest official count—he has in fact been conducting a purge against political opposition.

He hit the Moslem extremists hard by closing some societies and confiscating their publications and assets. But the Copts have come off worst with the replacement of Pope Shenouda by a five-man committee.

Two incidents highlight the increase in tension between Copts and Moslems. Last June several days of street fighting in the Cairo slum suburb of the *Zawiya al-Hamra left at least* 20 people dead and more than 100 people face trial. In the following month, three people were killed when a bomb was thrown at a Coptic wedding in the poor district of Shoubra in northern *Cairo*.

The Moslem extremists, tacitly encouraged by what they see as the right-wing direction of the government, have been harassing Copts. A Coptic friend recently received under his door a hand-written note addressed to "Christian unbelievers" and concluding: "The choice for you is between eternal exile, death or burning."

Mr Sadat has, after a mystifying *pause of nearly two months*, attacked the problem with vigour. But his intervention may have resulted in making the religious friction a more public and dangerous issue

The associated purge is the *most extensive political attack* since Mr Sadat succeded President Nasser in October, 1970.

In May the following year he faced a major challenge from the Left and followers of the late president led by Mr Ani Sabri.

He cracked down hard on that group and its supporters, but *thereafter he made a deliberate* effort to bring the politicians of the country together, and even included known Communists in his Cabinet.

This time, the sweeping-up of critics and the Left has been almost total.

President Sadat seems to have cancelled the 1971 decree appointing Shenouda at Pope—an act of questionable legality—largely because the Pope commands a direct following which, in its religious and political aspects, falls outside the President's immediate control.

Mr Sadat needs domestic calm in order to facilitate Israel's return of the last part of occu*pied Sinai in April next year.* But it is questionable whether he can keep the peace and also maintain an image of a multiparty political system.

It must be said that there has been an unprecedented amount *of information about* names and decisions in the Press. But the dilemma remains that neither Mr Sadat and his National Democratic Party, nor the Socialist Labour Party and the National Progressive Unionist opposition, who have no seats in the People's Assembly, have worked out properly the ground rules of their politics.

Mr Sadat deliberately did not arrest Mr Ibrahim Shukri or Mr Khaled Mohieddin, the SLP and NPU leaders. He said several times in his speech that he had refused to dissolve the parties, but the message their leaders were left with is that the Sadat notion of multi-party politics continues, but only according to his rules.

The problem, as his speech betrayed, is that Mr Sadat seems to have little idea of what he really wants — apart from an absence of criticism of his policies generally and of his peace treaty with Israel in particular.

Mr Sadat: t urning local troubles into a major issue

Reagan and Begin may strengthen co-operation

By Reginald Dale, U.S. Editor in Washington and David Lennon in Tel Aviv

PRESIDENT REAGAN and Mr Menahem Begin, the Israeli Prime Minister, are expected to explore the possibility of strengthening their strategic ties, perhaps by staging *American military* exercises in Israel and sharing satellite data.

Mr Begin, who arrived in the U.S. yesterday, is to see Mr Reagan on Wednesday and Thursday for talks which will concentrate mainly on the next stage in the Palestinian autonomy talks, due to resume in Cairo on September 23.

According to the New York *Times*, Mr Alexander Haig, the U.S. State Secretary, is not thinking of a defence treaty with Israel. The aim is "practical co-operation which will contribute to regional security," in Mr Haig's words.

The possible areas of cooperation are said to include:

- Regular joint military exercises or the use of Israeli territory by American forces for their own manoeuvres.
- *Logistics co-operation*, involving increased use of Israeli facilities for repair and maintenance of American naval and air forces.
- Increased sharing of intelligence information, with possible Israeli *pick-up* of data from U.S. reconnaissance satellites.
- The use of Israeli territory as a "forward facility" for American forces in an emerg*ency requiring the dispatch* of the new rapid deployment force. The U.S. would store military equipment and ammunition in Israel for use in such an emergency.

Officials in Tel Aviv say that winning U.S. participation in the new Palestinian peace moves will be the most important item which will be discussed with President Reagan.

But Mr Begin will also stress Israel's importance as a pro-Western strategic asset which can block Soviet penetration of the region. The Premier has often spoken about the possibility of the two countries *signing a mutual defence pact*, a suggestion which has so far been resisted by the Reagan Administration.

However, Israel will suggest that the U.S. fleet use the naval facilities at Haifa; and that Washington also consider stockpiling equipment at the new military airfields being built in the Negev desert.

It is understood that Israel's decision to hold back from a confrontation with the White House over the sale of sophisticated equipment to Saudi Arabia is at least partly motivated by the hope that America will compensate Isreal militarily.

Strategic considerations apart, one obvious motive for heightened military cooperation with Israel would be to help ensure passage through congress of Mr Reagan's controversial plan to sell a $8.5bn (£4.62bn) military aircraft package to Saudi Arabia, including five sophisticated data-gathering Awacs early warning aircraft.

In the past, Mr Haig has said there are no *plans* to "buy off" Israel's fierce opposition to the Awacs deal.

White House seeks further defence cuts from Pentagon

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE WHITE HOUSE, apparently dissatisfied with the Pentagon's reluctant recommendations for U.S. defence cuts, has delayed placing them before President Reagan and asked for more detailed proposals.

Mr Caspar Weinberger, the Defence Secretary, is still bitterly opposing anything other than minimal cuts in defence spending as he goes into battle this week with Mr David Stockman, the President's Budget Director.

Mr Stockman wants $50bn (£27.2bn) trimmed from defence spending over the two budget years 1983 and 1984 in order to achieve Mr Reagan's aim of balancing the budget by 1984.

Mr Weinberger believes that no more than $15bn could safely be cut from the massive increases planned for the 1983 and 1984 budgets. Officials said his proposals looked more like a "damage assessment," designed *to show how cuts would* cripple the armed forces, rather than serious *cost-cutting recommendations*.

White House aides have suggested that the aim is a $30bn reduction in the defence budgets for fiscal 1983 and 1984, one of the options review in the Pentagon's list. This, they say, would still allow spending to increase at the planned rate of a real 7 per cent a year.

Another proposal considered by the Pentagon would be for *$44bn over three years* beginning in fiscal 1982, which starts on October 1.

A further possibility under consideration is said to be a $50bn cut in funds earmarked for downpayments on major weapons systems. Officials said this could mean cancelling or postponing the Navy's expensive and controversial F-18 fighter, major warships, helicopters, satellites and air defence systems for the Army.

Mr Weinberger: set for budget battle

None of the proposals would cut funds for strategic weapons systems such as the B-1 and "*stealth*" bombers and the MX mobile intercontinental missile, on which decisions have yet to be taken. Military pay rises *would not be affected*.

But the Pentagon believes that cuts on the scale envisaged would mean the elimination of two Air Force fighter wings and one of the 16 Army divisions that is under strength.

100,000 in Soviet manoeuvres

BY OUR MOSCOW CORRESPONDENT

THE Soviet Union has disclosed that its "extremely limited" military manoeuvres along Poland's eastern border and in the Baltic Sea have brought together 100,000 men under arms, probably the largest number of Soviet troops engaged in one exercise since the invasion of Czechoslovakia.

The Kremlin had no explana*tion yesterday of why its war* games, called "Zapad (West) 81," were more than twice as large as any other exercise since the Helsinki agreement was signed six years ago.

Pravda, the Communist Party newspaper, said the soldiers, airmen and sailors deployed along a *broad* range of Byelorussia, the Baltic states and adjacent seas were practising combat techniques under conditions as lifelike as possible.

Soviet television showed tanks churning up muddy fields and artillery batteries exchanging salvoes in a battle between two mythical armies codenamed Red North and Blue South.

Western analysts said the mock battles were intended as a show of force to the Poles, especially the Solidarity unionists *meeting* in Gdansk.

One senior Western diplomat said the Russians were "playing coy" by their peculiar disclosure of the war games at a time when the rest of the world was concerned about the manoeuvres near Poland. He suggested that the effect would be to weaken the credibility of the Kremlin's repeated European calls for greater "confidence-building measures."

Angola postpones mercy mission

BY OUR FOREIGN STAFF

ANGOLA has delayed a mercy flight by an International Red Cross team into the southern war zone, apparently out of concern for its safety, Red Cross officials said yesterday.

The move came as the South *African authorities defended* their air attack on a convoy carrying a group of foreign journalists towards the southern town of Cahama over the weekend.

A defence official said "those who associate themselves with Swapo (the South West Africa People's Organisation) have to be prepared to accept the consequences."

Swapo has been waging a 14-year guerrilla war from Angolan territory aimed at forcing independence from South Africa of neighbouring *Namibia*.

A BBC journalist was slightly injured in the attack. Two Angolan officials were more seriously hurt.

The Red Cross mission, which was due to fly into the city of N'giva with emergency medical supplies, was held back at the last minute after agreement from the Angolans and official clearance from Pretoria.

But the Angolan military subsequently advised the team not to take off from Lubango, apparently worried that the aircraft could come under fire. It is hoped the team will be able to leave for the war zone today to find out how many people have been left wounded or homeless by the South African incursion.

The Red Cross has been tending about 500,000 refugees in central Angola for the past two years.

Deutsche BP accused over tax

BY SUE CAMERON, CHEMICALS CORRESPONDENT

DEUTSCHE BP, the West German arm of British Petroleum, is being accused of running a campaign to have West German oil taxes increased.

Mr Heinz Westefeld, chairman and chief executive of the West German-based Wintershall — part of the *BASF* chemical group—has spoken of "deplorable" and "misleading" attempts to gain public sympathy for proposals to increase the West German tax on indigenous oil from the present 22 per cent to 40 per cent.

He claimed Deutsche BP was the chief backer of the drive for higher taxes, but he warned that if the tax were increased to 40 per cent it could "strangle" some of West Germany's older existing oilfields.

He also warned that Wintershall and Texaco might have to reconsider *their* joint development of the Mittelplate offshore field in northern Germany if the tax were increased.

Mr Westefeld hinted that Deutsche BP was using left-wing *political* elements in West Germany to further its campaign for a high oil tax. The aim of Deutsche BP's drive was to hit the profits of its competitors in West Germany, he said.

Deutsche BP itself would not be significantly affected by any increase in the tax, because it produced no oil in West Germany itself. The UK-based group ranked second in the West German oil products market with a share of around 20 per cent.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

Iranian call for changes in security

A SENIOR Iranian clergyman, Ayatollah Mossein Ali Montazeri, called yesterday for changes in the country's security services to stop the bombings that have cut a swaith through Iran's revlutionary leadership, Reuter reports. *Ayatollah Montazeri, whose son* was killed in one of the explosions, was quoted by Tehran Radio as saying the bombing campaign had demonstrated the weakness in Iran's security organisations. Since June 28, more than 70 leading politicians, including the country's president, prime minister, chief justice, prosecutor-general and police chief, have been killed in the bombing campaign. The Revolutionary Prosecutor was killed on Sunday.

Afghanistan denies Pakistani charge

Afghanistan's Defence Ministry yesterday denied charges by Pakistan that Afghan planes strafed a Pakistani border post on Saturday, Reuter reports. Kabul Radio, monitored by the British Broadcasting Corporation, said the ministry described the report as a complete fabrication. The Pakistani Defence Ministry had charged that two Afghan MiG-17 jets attacked the *Domondi border post three miles* inside Pakistani territory, wounding two civilian workers.

Gandhi accusation

Mrs Indira Gandhi, India's Prime Minister, alleged yesterday there was a major campaign to downgrade India in international affairs, Reuter reports from New Delhi. She was speaking in the wake of a diplomatic row with the US over a diplomatic appointment.

British Steel gains share of U.S. drilling market

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A DRAMATIC upsurge in oil drilling activity in the U.S. has helped British Steel enter the American market for welded tubing and casing, used in wells.

British Steel now expects to sell 100,000 tonnes of these products in the U.S. this year, worth about £50m, compared to virtually zero sales in 1980.

Drilling for oil and gas has increased markedly around the world over the past few years, but nowhere so sharply as in the U.S. There are now some 4,000 drilling rigs operating in the U.S.—about 75 per cent of non-Communist world activity.

The result has been a shortage of domestically-produced well-casing and tubing, and greater imports. BSC's tubes division estimates that its 100,000 tonnes of exports to the U.S. this year will give it about 10 per cent of the import market.

It hopes to increase this to 20 per cent over the next year or two, but acknowledges that competition will intensify as new capacity comes onstream in the U.S., Canada and Japan.

Imports, however, remain small compared to the total U.S. market for well-casing and tubing, which is put at 3m tonnes annually.

BSC makes welded tubular steel at its plants at Corby and Hartlepool. The exports, which are moderately profitable at current exchange rates, will help preserve jobs at both plants.

The UK market for welded tubular steel is very depressed and productive capacity at the Corby plant has been run down from 800,000 tonnes a year to 500,000 tonnes to 600,000.

Outside the U.S. welded tubular steel is not widely used in the oil industry. Seamless tubes have traditionally been preferred.

BSC currently sells about 150,000 tonnes of seamless steel tubing to the oil industry a year, much of it to the North Sea, where the corporation holds about 85 per cent of the market.

Italian car market buoyant

BY JAMES BUXTON IN ROME

FOR THE SECOND year running, the Italian car market is growing while in the rest of Europe the market is contracting.

In the seven months to the end of July, the Italian market had expanded by 4.5 per cent, while car sales in the rest of Europe had fallen by 5.4 per cent.

Total sales for the period were 1.14m cars sold in Italy compared with 1.09m last year.

The difference between Italy and the other European countries is less spectacular than last year, when Italian car sales went up by 16.5 per cent, while those in other European countries fell—in France by 5.2 per cent and in Britain by 11.8 per cent.

Nevertheless the discrepancy between the Italian and other European markets is surprising, given the fact that the recession has finally reached Italy.

Factors such as the aggressive marketing of often restyled cars in Italy this year by Fiat, Renault—the second biggest car seller in Italy—and other manufacturers are said to have had an effect, but the most likely explanation is the continued desire of Italians, facing 20 per cent inflation, to put their money into consumer durables.

Low interest rates on deposit accounts and a shortage of other outlets for funds are tending to reduce the propensity of Italians to save. Increasingly tight credit restrictions do not seem to have drastically discouraged them from spending; car sales have risen despite repeated petrol price rises.

Fiat, including Lancia, has retained the 52 per cent of the Italian car market that it held last year. Alfa Romeo, the second biggest Italian car manufacturer, took 6.7 per cent in the first seven months against 7 per cent in the corresponding period of 1980.

Renault's share slipped slightly from 10.6 per cent last year to 10.2 per cent this year. The next most important foreign manufacturers in the Italian market were Ford and Volkswagen, each with about 5 per cent.

'Downturn' ahead for dry cargo

By Andrew Fisher, Shipping Correspondent

THE DRY cargo shipping market is headed for a downturn, according to a new study which calls for a slowdown in new ordering by ship owners.

Terminal Operators, the research arm of shipbrokers Eggar Forrester, says it expects an over-supply of tonnage up to next year and falling freight levels.

But it expects the downturn to be relatively short-lived, with no protracted slump such as that following the 1974 decline. "By 1983, we should witness a revival in the freight markets."

The report estimates that the growth rate in the dry cargo trades would be 5.25 per cent in 1983. Demand for tonnage would grow by 5.8 per cent and tonnage supply by 1.3 per cent.

These rates of increase would compare with an estimated growth in demand of 3.9 per cent in 1982 and 1.7 per cent in 1981, and in tonnage supply of 5.1 per cent in 1982 and 5.3 per cent in 1981.

Terminal Operators says that since completing the main part of the report, it has noticed "a strong disposition to additional contracting, especially of bulk carriers."

SHIPPING REPORT

Coal business picks up

BY OUR SHIPPING CORRESPONDENT

MODEST STIRRINGS of activity on the dry cargo side helped put some life into an otherwise dispirited market last week.

Coal business picked up from the U.S., partly in response to the effect on several Australian ports of union action. Grain business, too, was more lively at first, though it tailed off towards the end of the week.

In tanker chartering, Galbraith Wrightson describes the market for ULCCs and VLCCs (ultra and very large crude carriers), as somnolent. Rates stuck near previous levels, and the small level of business makes it hard to tell how they will move through the rest of September.

Galbraith thought more genuine inquiries would come through later in the month, with rates not falling below Worldscale 30 for unloading in the Western Hemisphere.

The shortened Bank Holiday week in Britain added to the general slackness of the shipping markets. The sorry state of affairs is also illustrated by the use as storage vehicles, according to Galbraith's figures, of some 120 tankers—60 being ULCCs or VLCCs—totalling about 32m deadweight tons.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (U.S.$m)

	June '81	May '81	Apr. '81	June '80
UK	14,837	15,977	18,036	20,471
U.S.	10,751	10,899	11,251	5,604
W. Germany	44,611	46,068	45,538	44,176
France	23,194	27,201	27,732	23,829
Japan	24,245	24,102	23,742	18,624
Netherlands	7,616	8,032	8,872	9,306
	May '81	Apr. '81	Mar. '81	May '80
Italy	14,456	16,049	16,384	20,923
Belgium	5,642	5,508	4,789	5,057

Source: IMF

Brazil and Iraq to establish trade bank

By Andrew Whitley in Brazilia

BRAZIL and Iraq are to establish a joint venture bank to boost an already flourishing two-way trade. Plans for a joint insurance company are also at an advanced stage.

Formal agreement on the bank is expected in early November, during a visit to Iraq by Brazilian officials. Until now trade has been handled by third-country banks.

The initial capital of the bank has been set at $40m (£21.8m) to be divided equally between the two countries. This capitalisation will make it a medium-sized operation on the Brazilian banking league table.

Rio de Janeiro will be the headquarters and, at first, the only office of the bank which could be in operation by spring, 1982. Brazilian officials anticipate the setting up of other branches abroad in future.

Iraq recently recovered its position as Brazil's biggest oil supplier after a slump brought about by the outbreak of the Gulf war a year ago. In the other direction Brazil has become a major supplier of arms and foodstuffs to Iraq, while its civil contractors are engaged in several important infrastructure projects.

The new bank, as yet unnamed, would be the first such venture for either country, although a Kuwait investment house has been doing business in Brazil in recent years. For its part Brazil is interested in similar banking arrangements with other Arab oil producers, notably Saudi Arabia.

Japan offers £700m loan to help China 'relaunch' projects

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN has decided to offer China a financing package of around Y300bn (£707m) to "relaunch" some of the major plant construction projects which were cancelled or postponed earlier this year after China began to experience budgetary and foreign exchange shortages.

The projects include the Baoshan steel plant near Shanghai and two petrochemical complexes at Daquing and Peking.

The funds offered to China will include Japanese official yen loans which will be diverted from infrastructure projects which Peking has already decided to delay, and suppliers credits to Japanese exporters, who will in turn be able to offer deferred payment terms on their machinery exports. The suppliers credits will come partly from the Japanese Export Import Bank and partly from commercial banks.

The aid package will be explained to China by Mr Susumu Nikaido, a senior official of the Liberal Democratic Party, who is to visit Peking next week. If China accepts the offer Japan expects that Mr Gu Mu, the Chinese vice-premier, will visit Tokyo for final discussions.

The Japanese offer falls far short of China's original request for some Y600bn (£1.4m) worth of Japanese financing to relaunch the suspended plant contracts.

China has already said that "diversion," of aid funds promised for other projects is not acceptable. However it appears extremely unlikely that the Japanese Finance Ministry will agree to a package which consists of new funds amounting to anything like the amounts demanded by the Chinese.

Review for German import levy

BY A. H. HERMANN, LEGAL CORRESPONDENT

A WEST GERMAN levy on sound and video tape recorders may undergo a change as a result of discussions which will start in the Federal Ministry of Justice on September 19.

Hitherto, makers and importers of such equipment have had to pay up to 5 per cent of the sales price to GEMA, the West German performing rights society. New proposals would aim at increasing this levy.

The British Government is opposed to the imposition of a levy on tape recording equipment or blank tapes, and the harmonisation of copyright laws now being considered by the EEC is, therefore, likely to run into difficulties on this sensitive point.

GEMA claims that an increase in the levy is justified because the 5 per cent rate was introduced at a time when the recording equipment was fairly expensive by itself. It now forms a relatively cheap component part of domestic hi-fi systems. The new regulation may leave the percentage rate of the levy to an agreement between the parties concerned.

In addition to the authors represented by GEMA, however, the authors and producers of films, both for general distribution and for television, have also staked their claims.

Swiss limit export guarantees

BY JOHN WICKS IN ZURICH

THE SWISS National Bank on November 30 is to discontinue its facilities to exporters aimed at guaranteeing their receipts in foreign currency. The system is based on an agreement with the Swiss Bankers' Association, drawn up in late 1978 to aid exporters after a period of monetary unrest.

Together with Commercial Banks, the National Bank has since then been offering Swiss exporters of goods and services so-called "foreign - currency drawing rights" at favourable conditions.

These allowed the guarantee of receipts against Swiss Francs even when the extent billing sum was uncertain.

The decision to drop this last monetary aid to exporters has followed a general loss of interest in the scheme on the part of industry and the service trades as exchange rates have stabilised. Currency risk coverage is still possible as part of the country's Federal Export Risk Guarantee programme.

Bank plea for joint approach to Moscow

By Our Moscow Correspondent

BANKS, companies and concerns buying raw materials from the Soviet Union should adopt a co-ordinated multilateral approach to counter the Soviet ability to negotiate from a monopoly position.

This view has been put forward by Dr Axel Lebahn, the Moscow representative of the Deutsche Bank. He headed the West German consortium which negotiated the terms of gas purchases from the Soviet Union and the conditions for the building of a pipeline from Siberia to carry it.

Dr Lebahn is anxious that the West should rethink its negotiating tactics with the Soviet Union, especially in light of major industrial co-operation projects envisaged by Moscow.

In a position paper just published Dr Lebahn noted that Western countries and companies are not aware of the nature of Soviet orders or the credits the Soviet Union requires auntil one partner has concluded a deal.

He appeared to be seeking an extension of the system adopted by the Netherlands in its approach to recent gas talks. The Dutch co-ordinated gas buying, financing and deliveries in their talks and two weeks ago reached agreement on a package with the Soviet Union.

Dr Debahn is concerned that the size of future deals planned by the Soviet Union is such that they many cannot be handled by one country alone. Several new projects are already under discussion.

UK NEWS

Thatcher's Cabinet reshuffle likely this week

BY RICHARD EVANS, LOBBY EDITOR

MRS THATCHER is expected to have discussions with senior colleagues in Downing Street today and tomorrow about over plans to recast her Government team for the second half of the Parliament.

There was still no confirmation in Whitehall yesterday that any changes are imminent, but the widespread expectation among MPs and many ministers is that there will be a reshuffle within a matter of days, probably this week.

The Prime Minister, who returned to London last night from her weekend visit to the Queen at Balmoral, has a busy week's diary. However, she is expected to spend time over the next two days holding consultations and discussions with senior colleagues on the moves she has planned during the past two weeks.

Key figures in the discussions will be Mr William Whitelaw, Home Secretary and Deputy Prime Minister, who retains considerable influence with Mrs Thatcher; and Mr Michael Jopling, Government Chief Whip.

The timing of the announcement of a reshuffle could be complicated by the summit meeting in London on Thursday and Friday between Mrs Thatcher and President Mitterrand of France. A number of other ministers will be engaged in the Anglo-French talks, including Sir Geoffrey Howe, Chancellor of the Exchequer, Mr John Biffen, Trade Secretary, and Sir Ian Gilmour, deputy Foreign Secretary.

If discussions on a reshuffle are prolonged, an announcement might be delayed until next week or later. But if ministers are to be briefed in their new roles before the Conservative Party conference next month and the new session of Parliament, any changes would have to be completed before the Prime Minister departs on September 25 for the Commonwealth Conference in Melbourne.

What seems certain is that a reshuffle will not result in any change of economic policy but will confirm the tough anti-inflationary stance adopted by the Chancellor with the full backing of the Prime Minister.

Most of the most senior ministers, including Mr Whitelaw, Sir Geoffrey and Lord Carrington, the Foreign Secretary, are expected to remain in their present roles. Mrs Thatcher's scope for change at the top is severely limited because of her need to keep her most loyal supporters in key positions.

Mrs Thatcher's problem is to strike a balance between maintaining her stand against Cabinet "wets" who regard her economic strategy as too harsh, and offending moderate Tories by promoting too many from the right of the party.

The key decision, which could set the tone of Mrs Thatcher's administration in the future, is the role of Mr James Prior, Employment Secretary.

The Prime Minister is being urged strongly by some of her advisers to replace Mr Prior with a colleague who would introduce more hawkish legislation against the trade unions. Mr Prior would oppose this vigorously, and she would not wish to push such an influential minister into resignation.

Right-wing MPs believe Mrs Thatcher should sack not only Mr Prior but other senior ministers like Mr Peter Walker and Sir Ian Gilmour who have been openly hostile towards her economic strategies.

Sir Ian, who was saved from dismissal in the last reshuffle by the intervention of Lord Carrington, is probably the most vulnerable of the three, together with another minister on the left of the party, Mr Mark Carlisle, Secretary of Education.

Cost snags could sink projected housing Bill

By Richard Evans, Lobby Correspondent

GOVERNMENT plans to make housing one of the key elements in the new session of Parliament may have to be shelved because of drafting difficulties encountered by Ministers.

One of the purposes of the legislation, planned to be unveiled in the Queen's Speech in November, is to replace the present complex system of rebates and supplementary benefit housing contributions with a new unified housing benefit.

But during inter-departmental discussions, which are still continuing, the cost of the new system has been found to be considerably higher than original estimates, and the Treasury is refusing to countenance additional public expenditure.

The tactical difficulty facing Mr Michael Heseltine, Secretary for the Environment and Mr John Stanley, Minister of Housing, is that the Cabinet might not accept a major housing Bill that does not include a new unified housing benefit.

The intention was to include a number of politically contentious measures, including the closing of loopholes affecting the rights of tenants to buy council houses, but to make the measure widely acceptable by the inclusion of the simplified benefit.

Latest estimates, however, show that net administrative savings by switching responsibility from central Government to local authorities would be marginal, while the cost of financially protecting those who would lose from the scheme are much higher than anticipated.

A demand that the policies of the Department of the Environment towards local government should be changed should Mr Heseltine be replaced in an autumn reshuffle, came at the weekend from Mr Gerald Kaufman, Opposition shadow environment spokesman.

Mr Kaufman, speaking in Manchester, claimed rumour was rife that Mr Heseltine would be replaced in the expected reshuffle.

Even worse, Mr Heseltine was now threatening penal legislation against councils to control and limit their spending and cash-raising powers. According to Mr Kaufman, the consequences of this would be "more Brixtons, more Moss Sides, more Toxteths."

British film and TV exports rise

Financial Times Reporter

BRITISH FILM and television companies' overseas net earnings last year from the production and exhibition of film and television material were at a new high of £72m—nearly half as much again as in 1979 and £14m above the previous peak in 1978.

Receipts rose £35m to £163m while expenditure overseas rose only £12m to £91m, according to British Business.

Total overseas transactions of the BBC and independent television contractors rose from £42m in 1979 to £51m in 1980—leaving net totals (without overseas expenditure) of £14m and £20m in those two years.

Exports

Mr Joe McCann, controller of Thames Television Sales, said yesterday that he expected exports of British television programmes to be even bigger next year.

Exports are expected to receive an important boost soon when agreements with unions representing British actors, musicians and writers paved the way for sales of British programmes to U.S. pay cable television networks.

● A nationwide transition to a plug and socket system of residential and business telephone installation is to be launched by British Telecom this autumn. The change follows a successful pilot project which has been operating since May in Taunton and Carlisle.

Customers buying telephones when they go on sale in shops next year will be able to plug them in on the new socket system.

Concorde New York timetable revised

BY LYNTON McLAIN

BRITISH AIRWAYS is to introduce a new timetable for its supersonic Concorde flights between London and New York, to enable business travellers to do a full day's work in London before take-off or in New York after landing.

From October 25, the first Concorde flight to New York will leave London Heathrow Airport at 10.30 am to arrive in New York at 9.30 am local time, leaving a full working day ahead for passengers.

The second flight will leave London at 6.00 pm to arrive in New York at 5.00 pm local time. This is designed to allow passengers to connect with other flights to U.S. cities and to get a night's sleep.

The schedules replace the 9.30 am and 11.15 am departures for New York.

The changes were announced yesterday only four days before the future of Concorde operations by British Airways and Air France is to be discussed by President Francois Mitterand of France on his first formal meeting in London with Mrs. Thatcher.

France is studying the future of its Air France Concorde operations after heavy operating losses. The BA Concorde services, however, are expected to make a £1m operating profit this year. Any unilateral withdrawal of support for Concorde by France would almost certainly be challenged by Britain under the terms of the Anglo-French treaty of November 1962 which started the Concorde programme.

Under the treaty, neither side can withdraw its operations without continuing to support the Concorde operations of the other party.

Other changes to the Concorde timetable include earlier departures from New York for London. The first flight will leave at 8.30 am instead of 10.15 am and arrive in London at 5.15 pm local time. The second departs at 11.15 am to arrive in London at 8.00 pm local time.

GLC policy on offices attacked

Financial Times Reporter

"Greater London Council proposals to limit office building in the capital could "seriously disrupt badly needed investment and create a climate of uncertainty which is already aggravated by regular changes of power at County Hall," says the Royal Institute of British Architects.

The view is contained in a RIBA response to the GLC's policy document "Approach to Planning." While welcoming the council's "commendably broad approach" the institute believes that the document is unworkable in several respects.

It particularly believes that the council's arguments against speculative office building are "completely impractical, and could lead to a serious imbalance in proper planning for the city

A RIBA study group was set up to consider the GLC document. The group agrees with the council's view that the needs of people come first.

Materials slump may have aided builders

BY MICHAEL CASSELL

HARD-PRESSED building contractors may have been saved from financial failure by severe problems faced by material suppliers, according to a report on the industry by brokers Laing and Cruickshank.

It has revised downwards forecasts for construction output and says building material deliveries have been falling sharply since spring 1980 and it was incorrectly assumed delivery levels in the second half of last year would represent a low point.

The report suggests that intense sales competition has led to keen pricing and concern that contractors have accepted work without hope of profit.

However, many contractors find they are carrying out work at lower than budgeted costs because of weaknesses in labour and material markets as well as speedier completion and reduced overheads.

The brokers forecast a 1 per cent upturn in overall construction output during 1982 compared with an earlier 3 per cent projection and say that with margins of error they cannot rule out a further small decline.

The report says any reasonable interest rates cut could boost demand for private housing.

The brokers sugegst private housing starts this year will total 119,000 against 97,000 in 1980 and may rise to 140,000 in 1982. They expect public sector homes on which work begins to reach only 36,000 this year (56,000 in 1980) and to stay about the same in 1982.

Other public sector construction contracts are expected to fall by 2 per cent in value during 1982, following a 6 per cent drop this year.

Laing and Cruickshank criticise the industry's attitude towards the adoption of current cost accounting methods. It says most companies have waited for the last moment before publishing current cost accounts.

Liverpool homes plan 'a palliative'

By Andrew Taylor

GOVERNMENT proposals to improve housing conditions in Liverpool will be no more than a palliative unless sufficient money is made available to carry out the scheme according to Shelter, the housing pressure group.

Shelter's magazine, Roof, published today, says that none of the proposals suggested by Mr Michael Heseltine, Environment Secretary, are new and that similar project in Liverpool are already hampered by lack money.

"There has been something ludicrous in Mr Heseltine's professions of concern about the problems he has seen on Merseyside when it was he who savaged the Housing Investment Programme and re-calculated the Rate Support Grant to favour the shire counties at the expense of inner cities."

The organisation said that three projects aimed at improving council housing areas in Liverpool had received only £1.5m this year—a quarter of the money they had asked for. The projects in question were not very dissimilar to proposals suggested by Mr Heseltine, says Shelter.

A massive housing shortage in Wales will lead to a shortfall of 200,000 decent homes by the end of 1983, according to another article.

Council house waiting lists in Wales are growing faster than anywhere in Britain, with more than 56,000 people waiting to be housed, it claims. Yet, it says, public spending on Welsh housing will have been cut by almost £100m over four years by 1984.

Cabinet committee to make £500m torpedo decision

A CABINET committee chaired by Mrs Thatcher, the Prime Minister, will consider tomorrow whether the Royal Navy should be given permission to buy £500m worth of heavy torpedoes from the British Marconi company or from Gould Incorporated of the U.S., the rival bidder.

Both companies have been engaged in intensive lobbying of MPs and Ministers.

Marconi Space and Defence Systems, part of GEC-Marconi Electronics, has warned that thousands of jobs will be at risk if the contract goes to the U.S. company.

Gould Incorporated has offered to build a £2.7m to £5.4m works in Britain if it wins the entire £500m contract, but will do nothing if it wins less than the full contract.

The Cabinet committee comprises Mrs Thatcher; Mr John Nott, Defence Secretary; Lord Carrington, Foreign Secretary; Sir Keith Joseph, Industry Secretary; Sir Geoffrey Howe, Chancellor; and Mr James Prior, Employment Secretary.

The committee is expected to weigh up the technical, financial, military, commercial and employment implications of a decision to buy either the U.S. or the British torpedo.

The Ministry of Defence dismissed as speculation yesterday suggestions that it is urging the Government to award the contract to Gould.

No decision about the possible supplier had yet been made, the Ministry said.

If the U.S. Mark 48 advanced capability torpedo offered by Gould is cheaper than the Marconi 7525 heavy torpedo, as has been suggested the Government will have to evaluate the financial gain against the possible implications for jobs at Neston, on Merseyside, where the Marconi torpedo would be produced.

The Neston factory was opened by Mrs Thatcher on April 10 this year. It is already the main assembly works for the Marconi Sting Ray lightweight torpedo being built for the Royal Navy.

Councils question assumptions on inflation

BY GARETH GRIFFITHS

GOVERNMENT ASSUMPTIONS on the inflation rate over the next three years are being questioned by local authorities who are worried that they are too optimistic and could lead to a further squeeze on local government spending.

The expenditure steering groups which are looking into every area of local authority expenditure have been told to work on assumptions of progressively declining inflation over the next three years. Inflation between the fiscal years 1981-82 and 1982-83 is assumed to be 7 per cent, between 1982-83 and 1983-84, 6 per cent and between 1983-84 and 1984-85, 5 per cent.

Ministers are now looking at the assumptions in the light of more pessimistic forecasts on the inflation rate next year. An announcement on the Government's guidelines on pay and price increases for next year's public sector spending plans may be made this month. Officials yesterday stressed that the figures given to departments were only provisional working assumptions.

These price assumptions in the Government's forward system of cash planning are in line with the forecast made in the March budget that the inflation rate would be down to 8 per cent by the middle of next year. The general view, however, is that this forecast is too optimistic.

As part of the current Treasury review of spending, plans for next year, ministers have to decide whether to adjust the inflation assumption for 1982-83 to take account of the changed outlook.

Local authorities share the scepticism about the inflation assumptions.

Mr Tom King, the Local Government Minister, recently told the local authorities that because the rate of inflation was higher this year than assumed in the rate support grant settlement, next year spending cuts would be between 2 and 3 per cent higher than the cuts originally forecast, if inflation assumptions were not adjusted.

The steering groups which are examining spending include local authority representatives. The recommendations and findings on spending projections are used by the Government in fixing the rate support grant settlement in November.

The report of the steering group on education expenditure also reveals a difference in the estimate of services local authorities are expected to provide. The local authority associations on the working party, for example, have rejected the Department of Education and Science's targets for fewer school places.

The authorities estimate that there should be a fall in school numbers of some 270,000 places by 1985 which is a third of the number which the Government's plans assume. This would imply additional expenditure compared with existing forecasts of £50m in 1982-83 rising to £60m in 1984-85.

There is also some doubt about the DES's estimates of the savings per school place planned and the targets might need to be reduced by some £30m per year rising to £40m in 1984-85, the working party says.

As reported last week, the Government is considering making 10,000 teachers redundant if the education spending targets are to be met. However, the total reduction of teaching staff by 1984 would be around 50,000 teachers and 9,800 lecturers. According to the local authorities the reduced level of the fall in school numbers could put considerable pressure on meeting pupil teacher ratios.

Phillips and Drew see hope of small tax cut in the spring

BY DAVID MARSH

THE GOVERNMENT may be able to announce a modest tax cut stimulus in next spring's Budget if it keeps to spending cuts planned for this autumn, according to stockbrokers Phillips and Drew.

The company's latest report on economic prospects, published this morning, predicts that the expected Cabinet reshuffle will be designed to confirm the Government's broad adherence to its financial strategy.

A further signal that the Government does not intend to reflate will come from an autumn announcement specifying the £2bn spending cuts for 1982-83 already announced but not yet detailed, the stockbrokers believe.

The company forecasts that the Cabinet may also agree to further minor spending cuts for 1982-83 of about £500m.

In return, the Treasury may be able to promise some modest stimulus totalling £1bn in next year's Budget—possibly through a cut in employers' national insurance surcharge, or a reduction in income tax.

If the Government keeps to very tight cash limits on public spending, perhaps as low as 3 to 4 per cent, these measures would leave the public sector borrowing requirement next year at around £11bn, still less than the £12bn forecast for 1981-82.

The 1982-83 figure would be much larger than the £8.5bn to £9bn implied in the Government's medium-term financial strategy. But the Treasury would still be able to argue that it was progressively reducing borrowing as a share of gross domestic product, Phillips and Drew say.

In other City views of the outlook published this morning:

● Brokers Laing and Cruickshank argue that fears on the gilt-edged market of an acceleration of bank lending are unfounded. The underlying monthly increase in lending to the private sector, which has been running at £700m a month over the first half of 1981, is expected to fall to £550m over the second half and into 1982.

Further stock reductions to improve depressed liquidity positions, together with the easing of credit pressures as a result of the fall in sterling, are likely to lead to lower company borrowing, the company says.

● The odds still seem strongly against sterling joining the European Monetary System, in spite of the current revival in the debate about whether Britain should participate in the scheme, according to brokers James Capel.

The firm says that a very difficult period lies ahead for the EMS following mutually inconsistent economic policies adopted by the system's co-architects, West Germany and France.

Additionally, during the run-up to the election, the British Government would probably be unwilling to be tied to a deflationary stance to keep pace with a potentially strong D-Mark.

James Capel also warns that a significant deterioration in Britain's current account is now probably underway. Following a £3.5bn to £4bn surplus in the first half of the year, a decline to rough balance is expected in the second half. Any recovery next year will depend on sterling declining against EMS currencies, as 55 per cent of UK exports are now to Europe.

● An optimistic assessment of chances of economic recovery is provided by brokers Wood, Mackenzie. The firm believes the economy moved into a recovery phase towards the end of the second quarter and that real growth of gross domestic product next year may be nearly 3.5 per cent after a 2 per cent drop this year.

The firm also believes the annual inflation rate will fall to a low point of between 9 and 9.5 per cent next April.

Its views are at the optimistic end of City expectations. At the other extreme, Laing and Cruickshank, traditionally one of the gloomiest of City pundits, believes that growth next year will arise largely from the adjustment of stocks and that inflation by mid-1982 will be above 12 per cent.

Coin Street inquiry will test GLC office policy

BY ANDREW TAYLOR

THE PUBLIC inquiry into plans to redevelop the Coin Street site of London's South Bank reopens tomorrow. It will test the new Greater London Council's office-development policy for the capital.

The GLC opposes plans by Greycoat Commercial Estates to build between 884,000 and 995,000 square feet of offices on the 13-acre Coin Street site. Greycoat Commercial's proposals include provision for shopping, industry, housing and leisure facilities.

The Coin Street inquiry will highlight the Labour-controlled GLC's opposition to major commercial development on the South Bank. The local authority, led by Mr Ken Livingstone, believes priority on the South Bank should be given to schemes which would provide additional industrial jobs, housing and/or community facilities.

In line with this new policy the GLC is expected to support a rival plan for Coin Street, by the Association of Waterloo Groups, when the public inquiry reopens at County Hall. The association's plan calls for a mixed housing, light industrial, shopping and riverside park development.

This is the second public inquiry in two years to be held into development plans for Coin Street. After an inquiry in 1980 Mr Michael Heseltine, Environment Secretary, called for a mixed development on the site.

Greycoat London Estates and Commercial Properties, both of whose schemes were rejected at last year's inquiry, have joined forces to produce a development proposal which they say meets Mr Heseltine's request for a mixed development.

The latest public inquiry to examine the joint developers' proposal and the Waterloo Group's scheme was adjourned in June, when the newly-elected Labour-controlled GLC asked for more time to prepare its case. A move by Greycoat Commercial to overturn the adjournment decision was defeated in the High Court.

The issue is further complicated because Greycoat Commercial purchased, from the former Conservative-controlled GLC, all the land it says it needs to carry out its Coin Street development. The land-purchase is subject only to planning permisssion being granted following the present public inquiry.

It is in this highly-charged atmosphere that Mr Victor Radmore, the inquiry inspector, reopens proceedings. The final decision on Coin Street, once the inspector's recommendations are announced, rests with Mr Heseltine.

Scottish airline seeks parcels business

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

ANGLO-SCOTTISH Air Parcels, a new Scottish company, is to make the first attempt by an airline to win a share of Britain's £1bn parcels market, with an all-parcels air service.

The company has set up depots at nine British cities and plans to start a twice-a-day service at each airport at the end of the month, using two twin-engined Piper Chieftain aircraft.

Parcels up to 20 kilogrammes will be carried at a rate of £3 a kilogramme, regardless of the distance flown, within Britain. Customers will be expected to deliver and collect their parcels from the local Anglo-Scottish Air Parcels depot.

A heavy demand for the service is expected to come from computer and data processing companies, banks, solicitors, estate agents, architects and other businesses with a demand for high speed document deliveries, Mr Tony Boulter, the managing director of ASAP said yesterday.

The UK market for the rapid transport of packages and small parcels has become intensely competitive in recent years, as a result of structural changes in the industry and the introduction of fast, overnight deliveries by companies competing with the Post Office.

The major change came in July this year when British Rail withdrew from its heavily loss-making service for collecting and delivering parcels by road, the Rail Express Parcels business.

It lost about £38m last year on revenue of £40m, and the withdrawal released about £30m worth of parcels business onto the market. This left BR with other parcels activities with a turnover of £100m a year, involving 100m packages by train.

The other changes in the UK parcels business have come as a result of the penetration of the British market by foreign companies, in particular TNT's Inter-County Express and IPEC, both Australian based companies, which offered cut rates and rapid, over-night deliveries.

Finally, the parcels business in Britain has become highly competitive because of the investment many of the operators, including the Post Office, have made in automated parcels handling depots. The Post Office opened its latest mechanised and partly automated parcels office in Leeds in February.

Anglo-Scottish Air Parcels hopes its new air service will win it sufficient business for it to grow into a UK-equivalent of the U.S. Federal Express, the specialised air parcels operator with a fleet of over 50 jet aircraft, including three DC-10s.

Federal Express has also started studies into the viability of using British Airways' Concorde for a trans-Atlantic high-speed parcels service.

● The latest freight movement figures for the East Midlands airport Castle Donington, Derby, show a drop of nearly 59 per cent.

The downturn to only 307,000 kilos in July is due to the end of livestock movement to the Continent and a fall in Post Office mail.

Tighter controls urged on waste disposal

David Fishlock on a report which recommends higher penalties for dangerous dumping

TIGHTER CONTROLS on the disposal of hazardous industrial waste are recommended today by a House of Lords select committee.

The include a hazardous waste inspectorate, analogous to the inspectorate of constabulary, to police the dumping of hazardous wastes.

Such an inspectorate should advise the waste disposal authorities and the Health and Safety Executive and should also report annually to Parliament, says the report, from the Lords select committee on science and technology.

It need not have executive functions but should encourage "adequate and consistent standards of control throughout the country."

The report also believes penalties for indiscriminate dumping of dangerous wastes should be "substantially increased."

The committee—through a sub-committee chaired by Lord Gregson which includes several eminent scientists and engineers—reviewed the organisation and methods of hazardous waste disposal and considered what national policy should be.

Hazardous waste include inflammable, corrosive and chemically reactive materials, as well as poisons such as arsenic mercury, cadmium, chromium and cyanide and cancer-causing substances such as certain organic compounds and asbestos.

The committee estimates that Britain may be generating as much as 5.5m tonnes of hazardous waste a year.

It has no confidence that "unsynchronised and largely independent" planning by 165 waste disposal authorities in Britain will produce a coherent national policy.

The committee believes in disposing of waste by the best practical means, but adds: "Public hostility to hazardous waste disposal facilities is common and is too important to be ignored."

The number of accidents directly attributable to wastes has been remarkably small. All serious cases of pollution have arisen from deposits predating the introduction of controls in 1972.

The inquiry, which was inspired by public worries about the Pitsea landfill site in Essex, finds landfill an acceptable disposal method for a wide range of wastes.

It also recommends local authorities to consider co-disposal of many liquid industrial wastes with domestic refuse "when they have the necessary manpower and scientific resources."

Pitsea achieved notoriety in the mid-1970s when a waste tanker driver was killed by toxic fumes. The committee reports that it is now "responsibly operated, with due regard for public concern." But as a result of commercial pressures and lack of national planning "Pitsea takes more than its fair share of hazardous waste."

The committee warns that the safety of landfill, including co-disposal, depends on good management. "The scope for abuse is considerable and the waste disposal industry has sometimes been skating on thin ice."

Landfill must not be used just because it is cheap. One or two serious accidents could have a disastrous effect on public confidence.

The committee rejects ideas for a national agency overseeing all hazardous waste disposal. Nevertheless it finds the presnt degree of control "defective *and urgently* in *need of* strengthening."

It recommends that every producer of hazardous waste should be required to register with his waste disposal authority; to identify the company official responsible for disposal; and to make quarterly returns, identifying who disposed of his waste, how and where.

Research should remain a central *responsibility*, based mainly at the Harwell research centre of the UK Atomic Energy Authority.

In Harwell's opinion, certain toxic wastes — including dangerous drugs and organisms, highly inflammable materials, and carcinogens — can be disposed of satisfactorily only by incineration.

Hazardous Waste Disposal, volume 1, House of Lords report, from the select committee on science technology. HMSO, £5.10.

Further call for heavy lorry road network

By Lynton McLain, Transport Correspondent

HEAVY LORRIES should be concentrated on roads capable of carrying the load rather than on minor roads at a time when there is insufficient money available to maintain the structure of all roads to a "proper standard," the Institution of Highway Engineers said at the weekend.

This recommendation is one of the main conclusions by the institution in new guidelines for local authority lorry management schemes. Last year, according to the Freight Transport Association, local authorities imposed a total of 254 lorry controls.

"There are clear advantages in concentrating as many of the heavy vehicles as possible on a road network where the road structures are more capable of carrying the load," the guidelines suggest.

Evidence collected by the institution supported a "main road network suitable for lorries." This could be based on Britain's existing primary route and motorway network.

Though lorries would be forced to drive further, the increased operating costs arising from the higher mileage would be partly offset by decreased travelling time and better fuel use.

The recent Armitage report for the Government on lorries, people and the environment, also suggested that a network of lorry routes based on primary roads might satisfy the needs of industry and commerce. However, Armitage expressed doubts about the effect of the possible concentration of heavy lorries on such a network.

Lorry control and routing away from sensitive urban areas is already a well-established technique for mitigating the worst effects of heavy lorries. The engineers' institution estimates the cost to the community of these schemes at £75m a year.

"The costs of environmental improvements are rarely borne directly by those requesting the benefits," the institution points out. This is because—although the effects of particular lorry control schemes are fairly localised—lorry operators passing on higher operating costs arising from controls, impose a burden on a section of the public wider than that benefiting from the controls.

"Lorry management schemes, guidelines," (£6.50) the Institution of Highway Engineers, 3 Lygon Place, Ebury Street, London SW1.

Falling U.S. share of world insurance

BY JOHN MOORE

WORLD premium volume in direct insurance business rose from $21bn in 1950 to $392bn (£212.5bn) in 1979, the latest year for which figures are available. Over that period the *North American* insurance industry's market share of world premiums declined.

This is one of the main findings of the Swiss Reinsurance Company in its recently published analysis of the growth and structure of world insurance.

Since 1950 the share of the North American market has declined from over 78 per cent to 50 per cent, due partly to the extent to *which its domestic* market is already developed and penetrated.

By contrast, over the same period the share of the Western Europe insurance market has increased, to nearly 36 per cent compared with 20 per cent in 1950.

The post-war period saw an expansion of insurance business in Europe, with a growth of premium volumes.

Outside Western Europe, other insurers whose countries of origin belong to the Organisation for Economic Co-operation and Development (OECD) have seen their market share rise from 1.9 per cent in 1950 to over 14 per cent in 1979. This was largely accounted for by the rapid premium growth in the Japanese market.

According to the Swiss Reinsurance Company, the world insurance supply, broken down into the three main groups of non-life, life and composite companies, has changed little between 1972 and 1979. In total 10,345 domestic insurance companies were operating in 1979 compared with 10,215 in 1972.

The survey observes that the number of non-life insurance companies has been declining, *particularly in the period 1972* to 1975.

It finds that in Western Europe this has been due to more concentration of non-life insurance activity, particularly in Belgium, the Netherlands and Denmark, as well as in Portugal as a result of nationalisation.

Nationalisation of Insurance concerns in India and other countries has also contributed to the concentration.

Insurers are facing increased competition worldwide as the growth in the available market outstrips demand.

Yet it could be concluded from the Swiss statistics that it is the ability of existing risk carriers to assume greater volumes of business, at a time when there is a slower rate of growth in important markets such as North America, which is providing much of the competitive pressures rather than the actual number of new entrants *into insurance.*

Since 1972 the number of life and composite companies has risen worldwide. The survey says that the increase of disposable incomes over that period which accompanied general economic growth, stimulated an increased demand for insurance, and led to the establishment of new life companies.

In that period the number of *domestic life companies* rose from 2,530 to 2,700, in 1979; while the number of companies which specialised in a mix of business showed a rise from 785 to 855.

The survey says that there has been an increase in the number of *professional* reinsurers worldwide. Between 1972-79 the number, excluding foreign branch offices and state monopoly institutions, rose from 196 to 240.

North America in that period showed an increase in the number of professional reinsurers operating in its market, from 36 to 41.

But some 57 per cent of all reinsurance offices operating is concentrated in Western Europe although the U.S. is the largest producer of reinsurance premium.

*There has been a sharp in*crease in the level of reinsurance taken out in recent years, the survey reveals. The world premium volume in non-life reinsurance increased almost sevenfold between 1965-79 from approximately $5.6bn to $38.4bn (£20.8bn).

Blue Circle could move from London

By Michael Cassell

BLUE CIRCLE Industries, which faces a huge rent increase on its Victoria office building has moved a step nearer to transferring its headquarters outside London.

The group is thought to be paying around £300,000 a year in rent for Portland House, which is held on a 99-year lease with 21-year, upward-only reviews, from Land Securities, the UK's largest property company.

The first review fell due last December and negotiations on the building, some of which is sublet, have been continuing. Any new rent is expected to run into several million pounds a year.

But Blue Circle announced at the weekend that it is in the process of acquiring Aldermaston Court, Aldermaston, Berkshire, a grade 2 listed *Victorian mansion, with extens*ive office accommodation and other buildings in 137 acres of parkland.

Blue Circle says it has been looking for four years for a suitable headquarters site outside London.

Porsche aims for new sales leap

BY JOHN GRIFFITHS

PORSCHE Cars Great Britain is predicting a further rise in sales this year to about 2,500 cars despite the continuing decline in the new car market overall.

Extensions to its Reading headquarters have just been opened by Dr. Ferdinand Porsche, chairman of the Stuttgart-based parent company.

Sales set a new record in the UK company's financial year to April of 2,369 units—up just over 2 per cent, following a boom year in 1979-80 when its UK sales rose by nearly 53 per cent. Last year's slight increase compares with a drop in total UK new car sales of about 11 per cent.

In 1977, the first year that the Reading HQ was established, Porsche sold 594 cars for a turnover of £5.3m. Last year's reached £25.3m, none of it due to higher prices. Porsche prices have remained the same since November 1978 thanks to the strength of sterling against the D-mark.

Minor imrovements to 1982 car specifications just announced also leave prices unchanged, with the exception of some optional fittings.

The UK company is privately owned, with 60 per cent of the shareholding in the hands of the parent Stuttgart company. Its rapid growth, raising the *company's net value to £4.5m,* has now prompted it to capitalise its mounting reserves and share capital is being increased from £¼m to £2m.

The 924 model, built at the VW/Audi plant at Neckarsulm and powered by a developed version of Audi's 2-litre unit, remains the best-selling Porsche car in the UK, accounting for more than 50 per cent of sales.

But the now basically 18-year-old, rear-engined 911 series is still outselling the latest model, the 928, launched four years ago, by nearly two to one.

Companies show equipment for navies

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

MORE THAN 200 British companies are exhibiting at this year's Royal Navy Equipment Exhibition, which is to be opened today at HMS Excellent, Whale Island, Portsmouth, by Lord Trenchard, Minister of State for Defence.

This biennial exhibition is directed not only at the Royal Navy, but more significantly at several thousands of overseas buyers who will becoming to see the vast range of naval equipment that British industry has to offer.

The exhibition covers virtually everything that any navy might need—surface warships and submarines, guided weapons, ammunition, and electronic instruments.

Out of £1.2bn of defence equipment exports annually, naval equipment accounts for several hundred milions. Warships alone accounted for more than £60m last year.

The exhibition covers 16 acres, with 119 inside stands and 20 outside sites.

Four warships will be on view. Sea King and Lynx helicopters will be displayed in the air and on the ground.

The exhibition, which runs until Friday, is for UK and foreign buyers. It is not open to the public.

Industry still cool on sick pay plans

By Alan Pike

REVISED Government proposals for making industry responsible for meeting the first eight weeks of sickness benefit have again failed to find approval with employers.

Confederation of British Industry representatives will meet Mr Patrick Jenkin, Social Services Secretary, on Thursday week and tell him that member *companies* are still worried about extra costs they fear the proposals would impose

The Government wants to transfer the cost of meeting initial sickness benefit to employers in order to cut Civil Service manpower and bring sickness payments into the scope of taxation. Employers organisations have supported the Government's motives for making the change, but not its methods.

Implementation of the change has already been delayed for a year—until April 1983—after strong resistance from employers to the Government's proposed compensation arrangements.

The initial proposal was for a once-and-for-all 0.5 per cent reduction in employers' National Insurance contribu*tions, subsequently increased to* a reduction of 0.6 per cent.

At next week's meeting the CBI will tell Mr Jenkin that two further Government suggestions contained in a recent Health and Social Security Department consultative document are also unacceptable.

Although it has not met with Government approval, employers will continue to argue in favour of "100 per cent deduction" under which they would deduct the full amount of sick pay from subsequent National Insurance contributions.

The Engineering Employers Federation, which has actively opposed the Government's proposed methods for making the change, says in a response today to the consultative document that it is unable to sup*port either of the latest pro*posals.

These are for either an 0.5 per cent general reduction in employers' NI contributions plus a further 0.4 per cent reduction for small businesses and those with a high sickness rate, or a smaller general reduction and 50 per cent self-deduction.

The EEF says that the alternative containing an element of self-deduction is "less absolutely objectionable," but that the other option is "entirely defective in concept" and "so unsoundly based that it cannot easily understand how it can be *the Government's preferred* option."

The EEF says in its response that it had hoped the consultative document would produce proposals which could command the support of employers—although it was fair to add that "in view of the plight of the industry" many engineering employers would have preferred the whole proposal to be abandoned, or at least deferred until economic circumstances improved. It was disappointing that this had not proved to be the case.

Apart from its other areas of concern, the EEF stresses in its response that there must be firmly-agreed and effective understandings between all parties on sickness certification arrangements. Discussions on this are taking place between the Government and the British *Medical Association.*

Winter holiday bookings fall

By Elaine Williams

TOUR OPERATORS are forecasting a fall of as much as 10 per cent in bookings for winter holidays based on current trends.

Thomson Holidays — which offers more than 300,000 winter sun holidays—says its business is nearly 20 per cent down compared with last year. It believes this is partly due to the increasing late booking trend.

Winter holidays are usually second holidays. People wait until the last minute before deciding that they can afford to go, Thomson says.

Fire closes Malvern Hills

SEVERAL MILES of the Malvern Hills on the Herefordshire/Worcestershire border were closed to the public at the weekend because of an extensive fire. Hundreds of acres of gorse and bracken burned.

More than 50 firemen and volunteers tried to control the blaze, but were hampered because the fire spread underground and leapt across firebreaks.

Police closed all access to the hills between British Camp, on the Malvern-Ledbury Road, and along the five miles of the Wych cutting and Jubilee Drive.

The fire brigade said that as *fast as it beat out flames in one* area, the fire seemed to spring up elsewhere because it was spreading underground. The hills are tinder-dry after three months with little rain. Police urged the public to stay away and not to hamper fire-fighting operations. The Malvern beauty spot is usually crowded with visitors on sunny summer weekends.

Campaign may hit gas sale plans

BY NICK GARNETT

UNIONS in the water, gas and electricity supply industries have started talks on a co-ordinated campaign of disruptive action against Government plans to hive off part of British Gas Corporation.

The TUC seems certain to commit itself this week to supporting such action, which has been discussed by the TUC's nationalised industries and fuel and power committees.

A co-ordinated campaign could represent a serious challenge to the Government's privatisation policies.

The Government has been planning legislation compelling British Gas to sell its 200 showrooms—an issue which has already led to a one-day strike.

The unions say it would lead to the loss of up to 30,000 jobs in showrooms and maintenance sections.

Mr David Basnett, general secretary of the General and Municipal Workers' Union, said yesterday the TUC will this week "be committed to supporting any action necessary to prevent the extremely stupid dismemberment of services in the gas industry."

Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, has already indicated his support, partly because of union fears that the Government might also attempt to sell off electricity showrooms.

Mr. Basnett said the electricity unions would not allow the Government to "pick off" the gas industry with the threat that the electricity industry would be next.

The shutdown of the gas and electricity supply industries at the same time was not an impossibility, he said.

British Gas has already expressed strong opposition to the sell-off, which Mr Basnett described as "vandalism."

● The TUC delegation of the National Union of Public Employees decided yesterday not to withdraw its motion calling for a co-ordinated campaign, including industrial action, by all public sector unions in opposition to Government cash limits.

TUC officials had tried to obtain a composite motion using the words public service so excluding groups such as the miners and car workers—rather than public sector.

Bell attacks NUM's militant leaders

By Nick Garnett

THE LEFT on the National Union of Mineworkers' executive was attacked yesterday by Mr Trevor Bell, general secretary of Cosa, the union's white-collar section. Mr Bell is the Right-moderate candidate in the union's coming presidential election.

Mr Bell said the incessant threat of militant action would diminish the union's authority, make the Government nervous about new investment, and would force big business to think twice about pumping money into coal-processing equipment.

He said a leadership using militancy first, as an "external threat" would not result in Governments and companies offering themselves up as hostages.

That, and a dubious attitude towards democracy, would tarnish further the image of trade unions and would reduce their authority and public support to alter Government policies.

Mr Bell accused Left-wing members of the national executive committee of intolerance to opposing attitudes, and some of them of canvassing support for policies already rejected by majority executive votes.

This was the way a militant clique saw democracy. It was not what he hoped miners would vote for in the election. Mr Bell's Press conference at Blackpool was virtually an election address.

Mr Arthur Scargill, the Yorkshire area president and Left-wing candidate, is clear favourite in the election, the result of which will be known in December. Mr Joe Gormley, the president, is due to retire next spring.

Mr Bell said that if the union could preserve its correct image, taking into account the wide interests of society, then the mining industry had an expanding future.

If the union did not, it would be put forever into the front line for everyone's battles, in which miners' families would feel the brunt. Miners had to remain at the top of the earnings league. There must be no return to a low-wage policy.

The union had to push for early retirement with adequate pensions, partly because the industry would need a smaller labour force and because it was right to create as many jobs as possible for young people.

TUC thrown into conflict

BY CHRISTIAN TYLER, LABOUR EDITOR

A RIGHT-WING attempt to dislodge at least nine Left-wingers or their friends from the 41-strong TUC general council has plunged the union leadership into an embarrassing conflict on the eve of its annual congress.

Last night complaints against Mr Roy Grantham, general secretary of the Association of Professional, Executive, Clerical and Computer Staff, accused of breaking TUC rules by canvassing, were being examined by the congress' general purposes committee in Blackpool.

Mr Grantham is trying to recapture the seat he lost seven years ago.

The committee was expected to decide after taking legal advice on Saturday night that the rule forbids canvassing only during the congress itself. Mr Gantham may therefore escape with a reprimand for breaking the spirit rather than the letter of the rule.

He appeared confident yesterday that he would not be penalised for doing what his political enemies have done for years. He believes his own defeat on the general counci was due to a similar canvass of trade union leaders.

Horse trading over general council seat is a feature of most congress, but Grantham is in trouble because of letters sent to other general councillors canvassing their support.

One of the letters which is signed by Mr Grantham and appears to be a circular, names 29 men and women who are moderate or Right-wing members of the council or candidates for office, selected by an unnamed group of general secretaries.

The letter says no final choice has been made about candidates for the women's section—this year to be expanded from two seats to five—and asks the recipient to contact Mr Grantham at his Blackpool hotel on Sunday night.

There are also said to be minutes of the Right-wingers' meeting, at which the consequences of non-co-operation by recipients of the letter were discussed. It is not clear whether these have been produced in evidence for the investigating committee.

Members of the general council said yesterday the row was "sub judice." Mr Len Murray, TUC general secretary, is clearly upset by the incident and yesterday refused to say anything about it.

The rule under which the complaint was raised by Mr Geoffrey Drain, general secretary of the National and Local Government Officers' Association, says: "Canvassing or the bartering of votes for any position or purpose shall be strictly forbidden."

If Mr Grantham, or any of his colleagues, are found to have broken the rule, they could be debarred from standing for the general council this week, and for the next three years.

The targets of Mr Grantham's letter are: Mr Arthur Scargill of the miners, Mr Ray Buckton, of the footplatemen's union Aslef, the Communist Mr George Guy of the sheet metal workers and Mr Ken Gill of the engineering white collar workers, Mr Bill Maddocks, of the dyers and bleachers, Mr Douglas Grieve of the tobacco workers, the moderate Mr Tony Christopher of the Inland Revenue staff, Mr John Morton of the musicians and Mr Alan Sapper of the cine technicians.

AUEW switches allegiance to oust Left-wingers

BY PHILIP BASSETT

THE TUC's second largest union, the Amalgamated Union of Engineering Workers, will today change its vote in the general council elections in an effort to oust leading Left-wingers such as Mr Alan Sapper of the cine technicians by supporting most of the moderate slate as laid out by Mr Roy Grantham

The AUEW engineering section decided yesterday at its pre-Congress delegation meeting to support many on the list Mr Grantham gave in a letter, including Mr Scargill and Mr Chadburn of the miners, and Mr Tony Christopher of the taxmen's union, Mr Tom Jackson of the postmen and Mr Ken Thomas of the Clerical, Civil and Public Services Association.

The delegation decided to switch from its voting last year in support of Mr John Morton of the musicians and Mr Sapper, to Mr Grantham and Mr Mills.

The dominance of the AUEW's Right-wing leadership over the union's TUC delegation this year for the first time for a number of years was clearly indicated yesterday in the voting at the delegation meeting, which was mainly split 24-12 in favour of the Right, with the Right's vote rising as high as 26 on occasions.

Wageline urges legal minimum pay policy

By Brian Groom, Labour Staff

THE TUC will be urged today to join a growing European trend by adopting the aim of a legal minimum wage as a means of tackling low pay.

The call will be made at a fringe meeting in Blackpool by Wageline, a group campaigning for a national minimum wage, and coincides with the publication of a report, Minimum Wages in Europe, by the Low Pay Unit.

The campaigners say British trade unionists should overcome their suspicion of state intervention in wage-fixing, reinforced by experience of pay policies and industrial relations legislation in the 1970s, and give force to a long-standing clause in the TUC constitution which says it should work towards "a legal minimum wage for each industry or occupation."

The report says that strong trade unions in Europe are increasingly turning to minimum wages as an additional weapon in their armour.

"Both Belgium, where 71 per cent of employees are unionised, and Norway, where 57 per cent are unionised, have provided recent examples where the full strength of the trade union movement has been exerted through centralised bargaining in order to establish a national minimum wage," the report says.

Since October 1980 average blue-collar earnings in Norwegian companies have not been allowed to fall below 85 per cent of the national average industrial wage, giving guaranteed earnings currently equivalent to £102 a week.

The Belgian national minimum wage stands at the equivalent of £67 a week.

The Irish Congress of Trade Unions has been committed to the idea of a statutory national minimum wage since 1979.

The Low Pay Unit report was written by Mr Manus O'Riorden, research officer of the Irish Transport and General Workers' Union.

*Minimum Wages in Europe, Low Pay Review No. 5; Low Pay Unit, 9 Poland Street, London W1V 3DG; 95p post free.

Mersey dockers to press for concessions

By Our Labour Staff

NEGOTIATORS for Liverpool's 3,500 dockers will this week press for concessions on the productivity changes which their employers insist must form part of any settlement in the annual pay talks, now in their fifth month.

The Transport and General Workers' Union's 12-man negotiating team will meet today to discuss the next step after the dockers rejected the employers' final pay and productivity package at a mass meeting last week.

The two sides will arrange a date for the resumption of talks, possibly tomorrow, but Mr James Fitzpatrick, chairman of the Liverpool Port Employers' Association, has already said he cannot see what progress can be made.

Dockers' leaders want further negotiations on proposed reductions in the levels of the gangs, which they consider would present safety hazards. They also want to keep continuity of labour, so that a man is not moved away from a job before it is completed.

Unions still have the power to harm Government—Murray

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR LEN MURRAY, the TUC general secretary, said yesterday, on the eve of the TUC's annual congress, that the trades union movement still had the strength to damage the Government and to defeat legislation aimed at curbing its power.

"Where we are confronting a hostile Government, the trades union movement finds new sources of strength," said Mr Murray. He instanced successful battles against the Labour Government's In Place of Strife programme in 1968, and the Conservative Government's Industrial Relations Act in the early 1970s.

Mr Murray said one of the main purposes of the present Government had been to weaken the movement. "One of the means has been the deliberate creation of unemployment—it is an appalling charge but it is true."

The coming week would show the TUC could put forward "a solid, workable alternative"—not just for the trade unions but for the whole country.

The TUC released figures yesterday showing its membership fell 571,095 in the past year—from last year's record figure of 12,172,508 to 11,601,413.

This is the first significant decline in membership since the 1920s, when the General Strike and high unemployment caused the TUC membership to fall heavily.

Mr Murray said he expected there would be a further fall of about 500,000, bringing the total at the end of the year to about 11m members.

The fall in membership was particularly marked among women workers, 229,000 of whom left trade unions in the past year. This was proportionately much higher than the loss of 432,000 male workers.

Only 20,000 women workers were recruited in the past year, compared with more than 90,000 men.

● Unusually for the TUC, political fringe meetings have been arranged on three separate evenings this week.

Tomorrow Mr Tony Benn will appear with Mr Arthur Scargill president of the Yorkshire area of the National Union of Mineworkers.

Mr Denis Healey is due to appear with Mr Peter Shore, the Shadow Chancellor, and Mr Roy Hattersley, the Shadow Home Secretary, on Wednesday.

On Thursday evening the three contestants for the deputy leadership—Mr Benn, Mr Healey and Mr John Silkin—will debate their policies.

Newspaper project opposed

BY CHRISTIAN TYLER

THE Transport and General Workers' Union, the biggest affiliate of the Trade's Union Congress, is to object on financial grounds to TUC plans to set up a national training centre in London and a newspaper sympathetic to the Labour movement.

Mr Alex Kitson, deputy general-secretary, said yesterday, on the eve of this week's Trades Union Congress in Blackpool, the union could not afford the £250,000 that would be its share of contributions to the education centre. He said the centre's total cost would be £3m. The union had lost 300.000 members and subscription-income of £6.2m.

He had been told the TUC raised only £11,000 of the £40,000 needed for a feasibility study on the newspaper project. He said there could not be a great deal of enthusiasm for a newspaper if the money could not be raised. The TGWU has paid £6,800 towards that project.

TECHNOLOGY

EDITED BY ALAN CANE

Information on tap—just like water

ALAN CANE explains how rapidly advancing technology is affecting developments in the electronic office. In this article he discusses the local area network (LAN).

INFORMATION OF all kinds on tap, like water or electricity, *is the notion behind the newest* development in the electronic office, the local area network (LAN).

So new are LANs that the number up and running hardly breaks double figures while the technology is advancing so rapidly that the earliest systems, only a few years old, are already well nigh obsolete.

And the latest developments are being driven, remarkably enough, by two domestic technologies—community association (cable) television and Citizens Band radio.

These two activities have *driven down the cost of certain* key components in LAN technology to the point where a whole new range of services can be contemplated.

Local area networking is an awkward way of describing a way of joining together different kinds of equipment—computer terminals, telex machines, printers, word processors, television sets, in a small geographic area to give economic and speedy transfer of information between the individual devices.

Incompatible

At the outset it must be said that LANs are, at the moment for the larger company—40 to 50 terminals seems to be the lower point of entry.

These companies find that as *they have grown so they* accumulate a mixture of computer equipment, mainframes, minis, dumb and intelligent terminals, all carrying out valuable functions but all incompatible and unable to share *common resources* such as files of information or printers.

The aim of the LAN is to provide a way of linking these machines together.

Conventional methods of linking computers to terminals or to each other work only over *limited distances* without repeaters and are complicated in structure.

Conventional methods of linking computers together over long distances are expensive and slow.

LANs have to provide fast transmission cheaply and simply.

To date, four principal *methods of providing* LANs have developed and almost all commercial offerings are developments of one of these four.

The first, and least developed, is the digital private automated *branch exchange, the PABX.*

In other words, linking devices through the telephone system. Chief objections are high wiring costs, unwieldy star-type structure (messages have to pass from computer terminal to the *switchboard and thence to their* destination) and narrow bandwidth (the wider the bandwidth, the more information can be passed in unit time so the more services can be provided).

Digital telephone systems are *still in their infancy; even when* mature it is unlikely they will play more than a small part in local area networking.

The oldest and most developed form of LAN is the Ethernet, conceived and nurtured by Xerox Corporation and now a joint development of Xerox, Digital Equipment and Intel.

For Xerox, the Ethernet development is the cornerstone of its electronic office strategy, a way of networking together its very sophisticated office workstations.

The communications medium is cheap, plentiful 50-ohm coaxial cable, which is run through the building with a terminator at each end to complete the electrical circuit.

Individual devices are attached to the cable by a transceiver and an interface device. *The interface ensures compatibility* between the terminal be it computer, workstation, printer or whatever. The transceiver is responsible for sending messages onto the cable and receiving messages from other devices.

Packet technology is used. The series of electrical impulses which make up a computer message are broken up into discrete sets, just as a sentence is broken up into discrete words.

Transceivers

It is quick and simple to regenerate a single corrupted packet compared with regenerating a whole message.

Messages from the terminal reach the transceiver which broadcasts the packages onto the cable when the way is clear. How can the system tell when it is safe to broadcast?

It has electronics which *listen* for activity on the cable. If there is none, it is safe to transmit.

If *two transceivers transmit* simultaneously, both stop for a predetermined time and try again. By the law of averages, all the messages will eventually get through. This technique is common to most LANs.

The message is broadcast to all the stations on the cable at a speed of 10 megabits a second (equivalent to 1m characters a second). Only the station to which it is addressed receives the message.

Xerox has been testing Ethernet for almost a decade now.

It claims high speed and *reliability—the cable is passive,* the intelligence to drive the network resides in the individual devices. Xerox has installed Ethernet but does not yet offer it as a product.

Ungermann Bass offers an *Ethernet design called Net One,* marketed in the UK with modifications by Computer and Systems Engineering as Casenet.

Thame Components sell the elements of the Ungermann Bass development, but not the complete system.

The UK's own contribution to LAN is a system called the Cambridge Ring, after work carried out at Cambridge University. It is marketed by Logica as Polynet, by Linotype *Paul as its Cambridge ring,* by Orbis and by Xionics.

The progenitor of the system, however, was the Swiss company, Haseler, with its Silk system.

Ring technology uses telephone wiring but it forms a continuous loop. The cable is not passive but is controlled by a separate device which controls *a continuous series of electronic* "slots" moving round the ring rather like carriages on a fairground carousel.

The individual terminals are connected to the ring in a similar manner to Ethernet *with the difference that each* station is part of the ring—if one station fails, the ring fails and Hasler and Xionics and the others have developed fall-back systems to combat this.

The packets are dropped in *order into* the empty slots and picked out by the station to which they are addressed.

Both the Ring and Ethernet are baseband technologies: the message passes as a simple series of electronic pulses and *only one series of pulses* can occupy the cable at any one time.

Many believe that the future belongs to a technique called broadband in which the messages are modulated on to a *series of radio frequency* carrier waves travelling simultaneously in the cable.

It means that a single coaxial cable could carry the equivalent of 120 Ethernet channels.

It also means that data, voice and video pictures can all be transmitted simultaneously down the same cable.

Individual devices are attached to the cable in much the same way as Ethernet but messages are sent on to the cable at one frequency, pass to a central retransmission facility and are sent back down the *cable at a second, receive,* frequency.

The system can thus distinguish between a message sent and a message received.

The central retransmission facility or headend is, therefore, *a point of weakness,* but it is cheap enough to be duplicated.

In many ways, broadband technology seems perfect for *LANs. It utilises CATV cable,* already laid in many places for community video experiments, and its great capacity makes it attractive for the movement of sound and pictures in the office.

Why was it not developed *sooner? The answer seems* to be that the cost of the radio frequency transmitters was prohibitive until the widespread growth of Citizens Band radio in the U.S.—which uses such devices in huge numbers—made the marketing economics sensible.

Future

Sytek Corporation has developed a broadband system called *Localnet; in this country* Network Technology has the exclusive rights to market this system. Wang, the rapidly growing office equipment company offers another broadband variation, Wangnet.

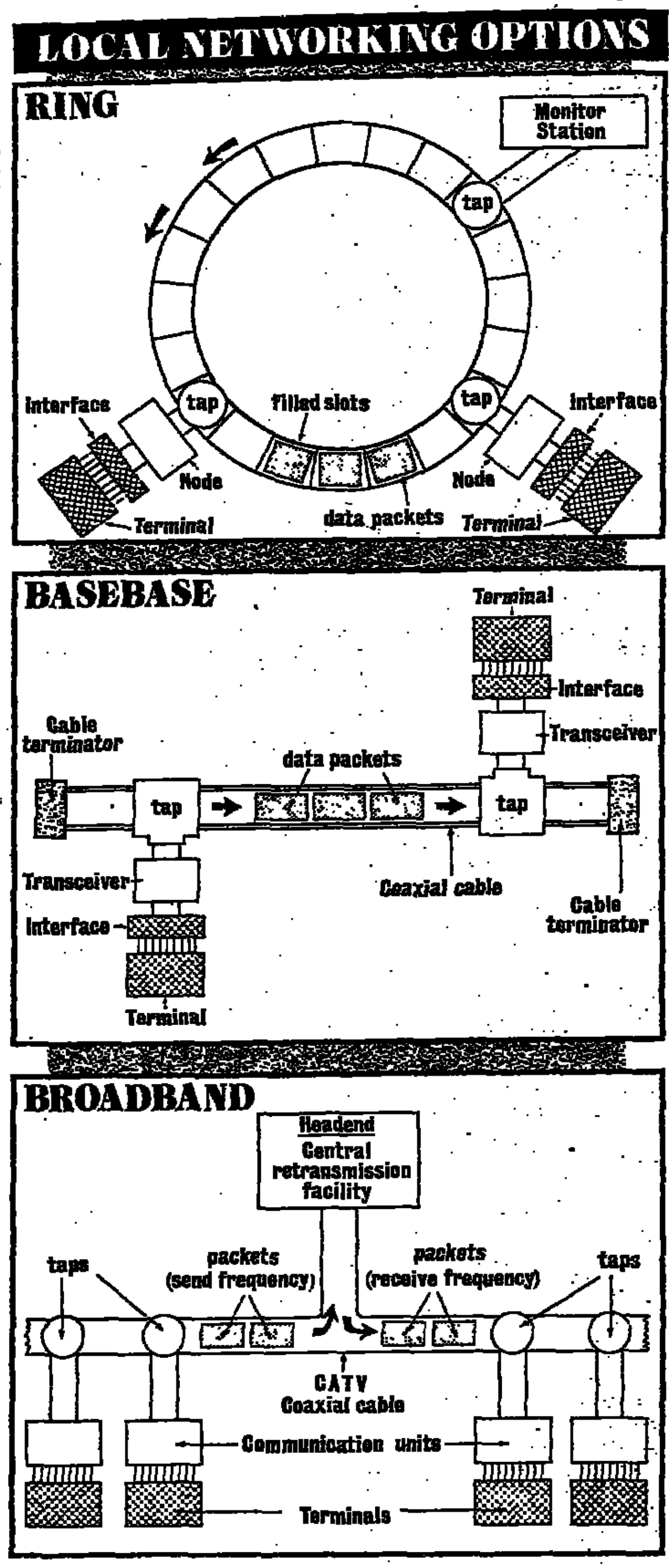
Observers believe that each of the principal LAN technologies will have a place in the office of the future.

Proponents of Ethernet point to the combined marketing weight of Xerox, DEC and Intel. Proponents of broadband point to the huge possibilities implicit in the system. The Hasler and Cambridge Rings are already finding customers.

But no matter who wins the marketing battle, there can be no doubt that local area networks will underpin the technology of the electronic office.

The list of proprietary products mentioned is not exhaustive, nor is it meant to be. Individual manufacturers provide their own variations on the basic themes.

LOCAL NETWORKING OPTIONS



PACKETS circulate from terminal to terminal in predetermined slots around the ring (top). They move in either direction along the cable (middle), and to the headend and away from the headend at different frequencies (bottom). For clarity, the broadband diagram omits the 100 data channels and 30 TV channels the medium can support.

Fast fixtures for steady batch production

DESIGNED to help companies engaged in small to medium batch-production is a "fast fixture" tooling system intended to combat high cost (together with high interest rates) and minimise down-time, thus maximising hourly production.

More familiar tooling systems tend to be very specialised, requiring varying levels of operator training and, furthermore, individual component pieces are generally peculiar to the one system, says Norvic, Hempnall, Norwich, Norfolk (050 842 345).

The company's system has redesigned conventional accessories to a modular concept enabling each and every item to be used individually for traditional uses — without further training — to be built into complete fixtures quickly and easily.

Resulting fixtures may be just as readily taken apart when the job is done and the component parts used to build up fixtures for another day.

Norvik's system is built with the same precision that has gone into its 76-years-old precision and is said to be equally at home in the inspection department as it is in the machining centre.

POINTERS

Electro-plating process

A PROCESS claimed to re*duce the amount of gold re*quired for the electro-plating of small consumer items while providing stronger resistance to corrosion and abrasion has been introduced in Britain by Newmark Precision Metal Finishes.

Devised in Switzerland and known as Imitor, the process is said to permit substantial sav*ings to be made whenever* heavier gold plating is required and to become a practical alternative when the gold deposits usually needed for jewellery, watches, lighters and pens exceed a thickness of 1.5 micron.

A base alloy of tin and copper is used as a substitute for the more conventional nickel base *normally employed with gold* plating. The alloy has the advantage of being a gold colour and provides more resistance to wear and corrosion when covered with a coating of gold as thin as 0.5 micron. Newmark is *on* 0403 2541.

Withdrawal power

MUCH IMPROVED version of its previous model is Clarke Instruments' new strong-door staple, or dead-bolt receiver, called Model 915.

Although its operating *solenoid has the same electrical* rating as the forerunner, it gives twice the withdrawal power, and despite its performance and the 1,600 kg shear strength at the bolt, solenoid replacement is said to be simple.

The improved *gunmetal frame* casting is more effectively and completely machined, says Clarke, so that although the latest model exactly replaces the original 915 staple the fitting faces are more precisely controlled.

Dosimeter

MARCONI Electronic Devices has introduced a fast neutron dosimeter, believed to be the most advanced of its type in the world. Marconi calls it the FNDDI. It covers a range from *five to 5,000 rads as well as* military applications — it has been adopted by UK forces and is being evaluated by the U.S. and West Germany — the diode is already being used in cancer therapy and monitoring *nuclear* installation leakages. More from 0522 29992.

Cylinders

MIDLAND PNEUMATIC has introduced double impulse cylinders into their metric range of penumatic cylinders. The company says that by fixing two Cetop cylinders back to back it is possible to obtain two different positions with each piston rod.

The range from 40 to 320 bore is available to suit individual customer's requirements. Maximum working pressure is 10 bar and seals are available to work at minus 20 deg C to plus 180 deg C. *More on* 0902 732501.

BIP's Melmex set to rival thermoplastics

A NEW competitor to thermoplastics with several features of interest to manufacturers of industrial, technical and domestic products is to be launched by British Industrial Plastics at the *Interplas exhibition at the NEC* in Birmingham, September 15-22.

A development of BIP's well-known melamine moulding compound, it is specifically developed for injection mould*ing of a wide range of things* from micro switches to mixing bowls in bold or pastel colours.

Melmex SM, as it is called, withstands working temperatures of up to 130 degs C, some 20-30 degrees higher than ordinary melamine. It also has *greater resistance to thermal* shock, staining and sudden changes in wet-dry conditions. It has an improved high quality finish.

More from: BIP Chemicals Division, Pope's Lane, Oldbury, *Warley, West Midlands B69* 4PD.

Solar swimming

THE DESIGN of a swimming pool at St Peter's Comprehensive School in Huntingdon is certainly an example of the largest expanse of solar heating undertaken by a local authority in the UK, says St Regis Coating and Laminating.

Cambridgeshire County Council architects designed the pool specifically with energy conservation in mind. Jointly financed by Huntingdon District Council and Cambridgeshire CC, the pool is 25 by 9 metres, up to 2 metres deep, and the project includes two squash courts, changing rooms, spectator and office areas. Sports facilities will be shared by the school and public alike.

Its solar heating system promises to provide enough heat to keep the swimming pool water at 82 deg F for five to six months each year, and will also meet the hot water requirements for three to *four months.*

An important part of the scheme is a multi-purpose insulation facing, Insulex 363, a lightweight but strong aluminium foil to kraft reinforced laminate, glued with Clam 2 adhesive on to 19 mm exterior quality plywood which forms the inside of the solar *panel roof.*

Laid over this is 60 mm cushioned fibrous insulation, then matt black heat collection panels with narrow water channels. Finally, the whole 162 square metre surface is covered with 6 mm rough cast glass.

The roof faces south inclined at an angle of 40 degrees, and a gas-fired conventional boiler heating system and hot water installation will provide heat during wintertime and low solar radiation periods.

Maker of Insulex, St Regis, *says that its laminate was* chosen after an exhaustive search for a material which was able to withstand temperature extremes ranging from well below freezing to as high as 200 degC.

There is no condensation problem with such extremes of temperature, so the material *chosen* also had to act as a water barrier, another reason why Insulex has scored. Its facing lets the water run off onto the open roof below but allows no moisture to penetrate the plywood on which it is stuck.

An additional advantage is that should heat get through to the membrane it will be reflected back on to the panels. A Class I surface spread of flame rating gives the least spread of flame along the surface of the material if ignited.

Further information on the pool from the County Achitect (0223 358811) and more about Insulex on Medway 0634 74171.

Deborah Pickering

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

'Pressure growing for unisex company pensions'

BY ARNOLD KRANSDORFF

THERE is a small but perceptible trend for UK companies to equalise the age at which they retire their male and female employees, although most still adhere to the norm of 65 for men and 60 for women, according to a survey just published.

The majority of companies, it seems, are waiting for the Government to give a lead. Should this be forthcoming, most companies would prefer a common pension age of 63 years.

Slightly fewer businesses are in favour of reducing the male pension age to 60 while a minority are in favour of raising the female retirement age to 65.

These findings emerge from a study into the policies and practices of 371 organisations across a broad range of industries. It was carried out by the Institute of Personnel Management, which discloses that there are almost 10m retired people in the UK and the proportion over 65 has increased by 14 per cent in the past decade.

The IPM says that in view of the rigid differentials in the state pension age, equalisation of the pension age in organisations is understandably a long way off. However, 10 per cent of the respondents confirmed that they had either a common pension age or were implementing one in the near future.

A total of 40 per cent were awaiting changes in the state pension age, while a further 28 per cent had discussed the issue without making any commitments. From this, one could deduce that most organisations were awaiting a Government decision — a not unexpected finding, says the IPM.

Just over a fifth of the respondents had not considered the subject at all. The IPM observes that equalisation of the pension age did not appear to rate highly among trade union representatives either—only a fifth of the respondents thought their worker representatives were interested.

Although normal retirement age was generally equivalent to the state pension age, a significant finding was that fewer male managers retired at the statutory age than any other grade of employee, including female managers, says the study.

Moreover, more men than women retired up to five years early, whereas the reverse was true for an equivalent period above the norm.

While early retirement was widely practised, deferred retirement was less popular and most companies discouraged it.

About half the respondents permitted early retirement up to a maximum of 10 years. The IPM notes that the data reflected greater difference between grades of employee than sex and —not unexpectedly —was rather more in favour of managerial and monthly-paid staff.

Flexibility

The survey concludes that from the available evidence it would seem that a degree of flexibility already exists in organisational retirement policies, with a bias towards promoting early retirement policies. Any movement towards late retirement appears to discriminate in favour of women but this "does no more than bring the women's retirement age more on a level with that of men."

Other findings were:

- About three-quarters of the respondents provided some form of retirement preparation, such as courses, literature, financial advice, counselling on re-employment and medical check-ups.
- Most organisations remained in contact with their retired employees and provided a variety of services and facilities for their voluntary use.
- Most respondents believed that if flexible retirement policies were to operate without financial penalties to the individual, a much less rigid state pension scheme would be needed.

* *Retirement—Planned Liberation? By Phil Long. Institute of Personnel Management, Central House, Upper Woburn Place, London WC1. Price £12.*

Business courses

Strategies for growth in a low-growth environment, Henley. October 7-9. Fee: £450 (plus VAT). Details from Seminar Secretary, Henley—The Management College, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU.

Administering Expatriate Pay, London. September 17. Fee: £95 (plus VAT for UK participants only). Details from ORC (UK), Airwork House, 35 Piccadilly, London W1V 9PB.

Corporate Financial Modelling, London. September 21-23. Fee: £200. Details from Department of Management Science, Imperial College of Science and Technology, Exhibition Road, London SW7 2BX.

Marketing Warfare, London. October 26-27. Fee: £395 (plus VAT). Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

Company Strategies for Information Technology, London. September 29-30. Fee: £260 (plus VAT). Details from Administrator, Crown Eagle Communications, 2 Bloomsbury Place, London WC1A 2QA.

SICOB 81—the means of computerisation, Paris. September 21-25. Details from Convention Informatique, Syndicat National des Fabricants d'Ensembles d'Informatique et de Machines de Bureau (SFIB), 6 place de Valois, 75001 Paris, France.

FT-City Course, London. October 8-December 10. Fee: £150 (plus VAT). Details from Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX.

Mr. Cube's new man of action

The new head of Tate & Lyle talks to Arnold Kransdorff

THE LAST thing Neil Shaw wanted when he moved into the hot seat at Tate and Lyle last year was to be taken over, let alone after just nine months. He had been appointed group managing director to get the cane sugar refiner out of trouble —and that was what he was going to do.

But in February this year, at around the time when he was announcing the closure of the company's Liverpool refinery, with the loss of 1,500 jobs, he received an acquisition inquiry from the chairman of a "well-known multinational in the food industry."

With Tate and Lyle suffering —particularly from Common Market policies that favoured the sugar beet industry—the approach could not have come at a worse time.

On top of the Liverpool closure, Shaw had just taken the decision to shut down the group's glucose and starch making operations at a cost of £22m. Then, to help pay for the extraordinary closure costs, he sold the company's fleet of three ships for £11m.

Although reconstruction and rationalisation was underway, the future was still uncertain—a factor which would have made an effective defence against the bid difficult. In any event takeovers are highly time-consuming, and Shaw had more constructive things to do with his days.

"Fortunately, the approach was an informal one," says Shaw, a youthful-looking 51-year-old Canadian who was previously head of Tate and Lyle's Canadian subsidiary, Redpath Industries. He succeeded Saxon Tate after Tate was appointed the group's joint vice-chairman.

"They wanted a friendly takeover. I was told that they would only be interested if such an approach was acceptable to Tate and Lyle's management.

"I said a takeover approach would not be well received. I suggested that they might like to reconsider an approach in 18 months after I had had the opportunity of putting things right. The matter ended there and then."

Since then, to Shaw's great relief, nothing more has been heard, either from his mysterious potential suitor or anyone else. More important, it has given him the time to get on with the task he was appointed to do. "When I was being considered for the job I didn't have a lot of answers that others hadn't already suggested," he says. "My own approach is not to spend too much time talking but to get on with it. I argued that the answer to Tate and Lyle's problems was not a matter of original ideas but of action."

This attitude, more than any other, probably endeared him to Tate and Lyle's directors in preference to any of the other candidates for the job, of which there were at least five.

Shaw insists that his appointment was not part of his planned career development, until shortly before the event. "I didn't always want the job," he recalls. "In Canada I was totally committed to the expansion of Redpath. It offered all the challenges of running a public company and I had North America as my market place. From a social and living point of view, the odds were that I would stay in Canada."

So why the top job in London?

Says Shaw: "From the job point of view, it was the challenge. I had spent time here as Tate and Lyle's export sales manager for three years in the 1960s and knew the company's problems and most of the people.

"And I felt I could do the job—it was not beyond my level of competence."

More than anything else, Shaw's presence has injected a sense of urgency in decision-making within the company, a product no doubt of his North American heritage.

He says that in contrast with Canadians, English managers "are far more articulate; they like to discuss problems much more. They are capable of analysing a problem more intensively than most others. In some cases this is a positive quality, but not always."

Behind this comment lies a subtle, and simple, strategy for passing on his philosophy of "action, not words." He is in the process of introducing an incentive scheme for senior managers.

Shaw explains that a senior manager will soon be "eligible for a bonus based on annual performance and not just because he is a nice guy."

In the long term he also wants to introduce a stock option scheme and encourage his senior executives to buy shares in the company. To give a lead he has recently bought 3,000 shares for himself and hopes to purchase another 5,000 to 10,000 shares by the end of the year.

All this notwithstanding, Shaw's appointment seems to have had a profound effect on the company in a remarkably short space of time. His decisions—and there have been no shortage of them—confirm that he is determined to push through a major programme of rationalisation and reorganisation in as short a time as possible. The impressive aspect, so far, is that positive results are already showing up in the trading figures.

At £12.3m, first-half profits for 1981 announced in May, were 30 per cent higher than the previous comparable period, thanks, in part, to the closure of the loss-making starch activities. These gains will be further enhanced in the second half by UK refining—previously the single biggest drain on resources—which will reflect the benefits from the Liverpool closure.

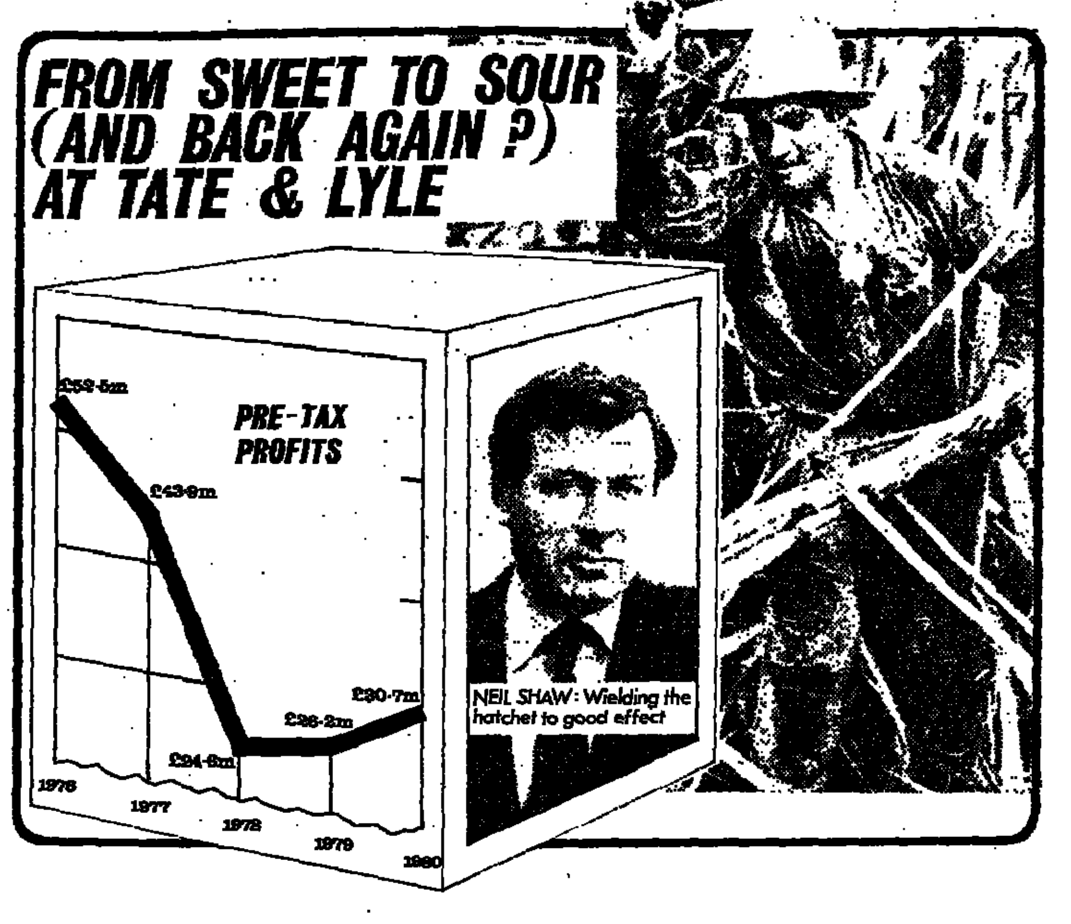
The balance sheet is also looking healthier: the ship disposals are expected to cover the redundancy costs at Liverpool while the company's reduced refining capacity will have cut working capital needs. Despite these positive signs, there are still a number of question marks overshadowing the longer-term outlook.

One is the company's high commodity trading content, which—in spite of efforts to reduce its impact—still accounts for roughly a half of pre-interest profits. This side of the business is highly vulnerable to the vagaries of volatile market conditions.

The other is the unresolved bid by S. and W. Berisford for British Sugar Corporation, Tate and Lyle's main competitor.

Berisford, which handles around a quarter of Tate and Lyle's sugar sales, has stated that there would be no question of its retaining this business if the takeover went through.

Although the offer has lapsed the future intentions of Berisford, which holds 42 per cent of British Sugar, are unclear. A successful bid in the future would mean that Tate and Lyle would have to pursue a different marketing policy.



NEIL SHAW: Wielding the hatchet to good effect

For the moment, though, Shaw — characteristically — is concerned with the more immediate problems.

Having closed the Liverpool refinery, he wants to restructure the company's two remaining refineries in London and Scotland, which have taken up the slack in a market where there was gross over-capacity. He also wants to reduce further the size of the company's head office at Sugar Quay in London.

Third in his list of priorities is to "clean up the chemicals side of the business"—which was once seen as a promising diversification prospect. Shaw says: "We need to find a partner to share some of the costs."

Although no confirmation is available there have been reports recently that Shaw is in the process of negotiating the sale of part of the company's chemical interests to a U.S. drug company. Tate and Lyle has been one of the pioneers in the field of researching alternative uses for sugar, but its activities in biotechnology lost it £3m in 1980 alone.

A lot has happened since Shaw received the informal takeover enquiry just six months ago. Although he is not complacent he believes that the decisions he has taken since have made the company less vulnerable to a keen predator. Left alone, he is certain a lot more will be happening to Tate and Lyle in the future.

If he has his way Tate and Lyle could eventually diversify considerably, for instance by moving into the plastics and leisure fields.

His thoughts for the former involve the future of the group's joint venture into the exploration of oil and gas in the U.S. This stake could be sold and the proceeds invested in, say, a petrochemical complex to make PVC resins for pipe making.

Also on his mind is a possible property investment in the southern sunbelt states of the U.S., for example Florida, where land, which is currently used for cane growing, could subsequently be developed.

LOMBARD

Britain's error over poultry

BY JOHN WYLES IN BRUSSELS

ONE SHOULD not make too much of it of course, but the sudden change in health regulations which has conveniently banned the import of French and other foreign turkeys and poultry into the UK marks an interesting shift in Government policy. We have become accustomed to the Government's reluctant and doctrinally painful *support for such lame ducks* as British Steel and BL. In these cases there has been no doubt about the degree of lameness or much dispute about the need to maintain the national steel and car industries.

Lame ducks

The poultry import ban, however, takes the government into the business of supporting not lame ducks but ones which are, shall we say, only slightly winged. One wonders whether Mrs Margaret Thatcher is truly aware of what her Agriculture Minister is doing in the name of keeping Britain free from fowl pest.

The change in health regula*tions which henceforth will pro*tect the British poultry industry from foreign competition will shelter that industry from just the kind of pressure to modernise, re-equip and increase efficiency which every industry is supposed to need in order to increase its profits and improve its service to the consumer. This is not, by all accounts, an industry on its knees.

According to experts I have *consulted, profitability and re*turn on capital employed have put the poultry business in a superior position in the meat trade. Last year, it supplied 95.5 per cent of the domestic market. Although it has lost some ground this year and domestic prices are under pres*sure, there are not many* British producers of anything who would consider themselves hard up with more than 90 per cent of their domestic market.

Why then is the British poultry producer to be protected? There are two answers and to avoid calling anybody names it is better to borrow from Walter Bagehot and to categorise one as "dignified" and the other as "efficient." The dignified answer is that Britain is setting an example to her EEC partners and to all countries whose agreed objective is to move away from artificial disease control in animals through the use of vaccination and other protective measures.

Whitehall officials might concede that the decision to renounce vaccination and to revert to slaughtering to deal with outbreaks of fowl pest was somewhat abrupt and could have been preceded by cour*teous consultation with Com*munity partners. But such a change is perfectly legal and, it has long been agreed, socially desirable, they say. The fact that it excludes the import of vaccinated birds and thus virtually all foreign poultry is an incidental, but not deeply regretted, by-product.

The "efficient" reason for the action was fear of an inundation of French turkeys from a new factory in Brittany. This *plant, which started operating* in May, is apparently capable of supplying the entire British market. It has been built with French Government and EEC regional development subsidies. Although the British industry has charged, and for a time the British Government appeared to agree, that the French factory enjoys illegal operating subsidies, none of the allegations has stuck, and there are strong doubts as to their substance. *What is more obvious is that* the plant is modern, efficient and enjoying economies of scale. The challenge that it would pose to UK producers has been known for some time and has become more obvious over the past few months as their customers started quoting the lower prices the French would tag on to Christmas turkeys.

Politics

Thanks to the Government this challenged will now be ducked, if you will pardon the pun.

this challenge will now be economics, nor sound Community politics. When one country suddenly uses health regulations to close its market then a Community formula has to be found if its trading partners insist. If Britain were to continue to refuse to re-open its market, then the principal countries affected, France and the Netherlands could well cause the issue to spill over into other areas at a time when the Community has all the material for internal disputes that it needs.

Closed shop—what Strasbourg ruling really means

THE WEEK IN THE COURTS

BY JUSTINIAN

THE CLOSE legal season, when lawyers depart for their extended vacation in August and September (often to the dismay of a public that thinks lawyers treat themselves too generously in terms of holidays) nowaday produces some legal event that captures headlines.

This is simply because urgent legal business is dealt with by the Vacation Judge.

This year has been unusually *quiet, the only ripple on the* calm legal waters being the decision of the European Court of Human Rights at Strasbourg in the middle of last month.

Put succinctly, the **judgment** did not condemn the closed shop as such. Nor did it declare that there is a guaranteed freedom under the European Convention on Human Rights not to belong to a trade union.

The court said it was not called upon to express an *opinion on every consequence* or form of compulsion which the closed shop may engender.

It confined itself to an examination of the effects of the system on the three former British Rail workers dismissed without compensation in 1976 for refusing to join a closed shop.

The court merely ruled that a threat of dismissal involving the loss of livelihood was a most serious form of compulsion and, *in the present instance*, was directed against the three men before the introduction of any obligation to join a particular trade union.

For that reason alone there had been an interference with the freedom to join a trade union, which is specifically guaranteed by Article 11 of the convention.

*Before the protagonists over*indulge their relative excitement or disappointment, they need to be told that there is a heavy caveat attaching to court's decision. As English lawyers would put it, the case was decided very much on its own special facts, and that generalisations cannot readily be drawn from it.

And to the extent that any general principle can be extracted from a cautious legal ruling, *the implications of the deci*sion are restricted to the "post-entry" closed shop. As such the trade union movement can confidently feel that it can live comfortably with a limitation upon one aspect of the closed shop.

Freedom *not* to join a trade union is in practice cancelled where there is compulsory union membership either as a condition of securing employment (the pre-entry closed shop) or of retaining employment.

Given the restricted impact of the European Court's judgment, there are some general *propositions emanating from* the court's judgment that are worthy of note. The central issue was whether the guaranteed right of freedom of association included the freedom *not* to join an association:

Article 11 does not specifically prohibit the "closed shop" system. By contrast the Universal Declaration of Human Rights not only affirms the right of association but also says that no one may be compelled to belong to an asssociation.

The committee of experts that *drafted* the European Conven*tion, relying on the Universal* Declaration, emphasised that the freedom of association included the right to joint a trade union and drafted along the lines of the Universal *Declara*tion.

The majority of 18 judges in the European Court noted the draftsmen's deliberate omission of the negative proposition, but felt that it did not follow that the negative aspect of a person's freedom of association fell completely outside the ambit of Article II.

To construe Article II as permitting every kind of compulsion "would strike at the very *substance* of the freedom it is designed to guarantee." Three dissenters, led by Judge Sorensen (a Danish judge who in the mid-1970s had been a judge of the Court of Justice of the European Communities at Luxembourg), *argued* that the so-called positive and negative freedom of association were not simply two sides of the same coin, or indeed two aspects of the same freedom.

The dissenters, it should be immediately observed, did not relish the result of their legal reasoning: "Objectionable as the treatment suffered by the applicants may be on grounds of reason and equity, the adequate solution lies, not in any excessive interpretation of *Article 11 but in safeguards* against dismissal because of refusal to join a union."

Their reasons for concluding that the right not to join a trade union was not among those recognised by the convention command greater legal respect than the mere assertion to the contrary by the majority.

The dissenters' reasoning is worth citation: "The positive freedom of association safeguards the possibility of individuals, if they so wish, to associate with each other for the purpose of protecting common interests and pursuing common goals, whether of an economic, professional, political, cultural, recreational or other character, and the protection conists in preventing public authorities from intervening to frustrate such common action. It concerns *the individual as an active* participant in social activities, and it is in a sense a collective right in so far as it can only be exercised jointly by a plurality of individuals."

"The negative freedom of association, by contrast, aims at protecting the individual against being grouped together with other individuals with whom he does not agree or for purposes which he does not approve. It tends to protect him from being identified with convictions endeavours or attitudes which he does not share and thus to defend the intimate sphere of the personality.

"In addition, it may serve the purpose of protecting the individual against misuse of power by an association and against being maniplated by its leaders. However strongly such protection of the individual may sometimes be needed, it is neither in logic nor by necessary implication part of the positive freedom of association."

That persuasive reasoning may be found the more acceptable if and when the direct issue of the closed shop should ever come *before the European* Court, an issue which the majority expressly reserved for another day.

The majority also severely restricted its ruling on another aspect of the full ambit of Article II.

The second paragraph of Article II provides that an interference with the freedom of association may be justified if "necessary in a democratic society." Although the Solicitor-*General, who argued the case* for the UK Government, did not seek to justify the dismissal of the three British Rail men on that ground the court nevertheless felt obliged to say something about that possible defence.

The majority disavowed any attempt to say whether the closed shop could be justified on the ground of necessity, since the system was not under review. And the ruling went only so far as to conclude that "having regard to all the circumstances of the case, the detriment suffered by the three men went further than was required to achieve a proper balance between the conflicting interests of those involved and cannot be regarded as propor*tionate to the aims being* pursued. Only in that sense were the restrictions placed upon the three men not "necessary in a democratic society"—hardly an earth-shattering conclusion.

Morley places hopes on trio

RACING

BY DOMINIC WIGAN

DAVID MORLEY, who lands a good number of races at this time every year through his raids on the minor West Country jumping tracks, is beginning to make a name for himself as a trainer of flat winners.

At Nottingham today he can boost *his reputation in this field* through Lord Hartington's pair, La Pirouette and Whitworth, and through the Robert Sangster representative, The Rugby Club.

Although *Masked* Marvel's good looking half-brother, Match Winner—a promising third at Yarmouth *on his debut*—and the Michael Jarvis representative, Beldale Ruler, have the credentials to fight out the finish to the Delirium Maiden Stakes, a better "value" bet for the punter looks to be La Pirouette each way.

A well bred filly by a versa*tile and high-class American* sire in Kennedy Road, out of Nedancer—an unraced grand*daughter of the champion filly,* Parlo—La Pirouette has shown promise on both her outings.

If, as seems probable, she has *come on a few pounds since* chasing home Warm Hearted, when a 33-1 chance in a similar event over six furlongs at Rippon, La Pirouette will make her presence felt.

That consistent staying son of Hot Spark, Whitworth, looks an equally sound win and place proposition for the Strathspey Handicap.

The Rugby Club, something of an unknown quantity, having recently joined Morley's Bury St Edmunds stable, may be in *need of today's race. But if his* appearance in the paddock and the market suggests otherwise, *I would expect him to overcome* Match Winner's stable companion, Critique.

At Windsor, Cajun can confirm superiority over the recent course winner, Mubhedj.

Later in the afternoon both Bodham and Dark Monarch are sound bets to help notch a Dunlop double in the Bracknell Stakes and the Binfield Stakes.

Morayshire's half brother by Scottish Rifle, Dark Monarch, is making rapid *improvement* at present. He is likely to outpace Habitor with the minimum of fuss in the Binfield.

NOTTINGHAM

3.30—Hot Wind
4.00—La Pirouette
4.30—Whitworth*
5.00—The Rugby Club

WINDSOR

3.15—Tap on the Head
3.45—Cajun
4.45—Bodham**
5.15—Dark Monarch***

TV Radio

†Indicates programme in black and white

BBC 1

6.40-7.30 am Open University (ultra high frequency only). 12.30 pm News After Noon. 12.57-1.00 Regional News for England (except London). 1.45-2.00 Bod. 3.30 Home on Sunday. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Hong Kong Phooey. 4.55 John Craven's Newsround. 5.5 Go with Noakes. 5.35 Roobarb.
5.40 News.
6.00 Regional News magazines.
6.25 Nationwide.
6.55 Angels.
7.20 Freebie and the Bean.
8.10 Panorama: "The Class of '81": fortunes of 250 school leavers at Craigbank Secondary School in Glasgow.
9.00 News.
9.25 Salem's Lot.
10.55 A Little Night Music.
†11.30 Phil Silvers as Sergeant Bilko.
11.55-12.00 *News Headlines.*

All Regions as BBC1 except as follows:

Cymru/Wales — 12.57-1.00 pm News of Wales. 1.45-2.00 Dan Dryed. 6.00-6.25 Wales Today. 6.55-7.20 Heddiw. 11.55 News Headlines. News and Weather for Wales.

Scotland — 12.55-1.00 pm The Scottish News. 6.00-6.25 Reporting Scotland. 11.55 News Headlines, News and Weather for Scotland.

Northern Ireland — 12.57-1.00 pm Northern Ireland News. 4.18-4.20 Northern Ireland News. 6.00 Scene Around Six. 6.25-6.55 Land 'n' Larder. 11.55 News Headlines, News and Weather for Northern Ireland.

England — 6.00-6.25 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); *Midlands Today* (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West *(Plymouth).*

BBC 2

6.40-7.55 am Open University.
11.00-11.25 Play School.
2.00 pm Trades Union Congress 1981.
4.50 Open University.
6.55 F.A.C.T.S. Football Association Coaching Tactics, Skills.
7.20 Return Call to Brass Tacts.
7.25 News Summary.
7.30 Swimming: European Championships.
8.05 Secret Army.
9.00 Iris Williams.
9.45 Brass Tacks
10.30 Echoes of War.
11.00 Newsnight.
†11.45 Laurel and Hardy in "Busy Bodies."

LONDON

9.30 am Cartoon Time. 9.40 The Living Land. 10.35 Under the North Sea. 11.05 Wild, Wild World of Animals. 11.30 Betty Boop Cartoon. 11.35 Razzmatazz. 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. 12.30 Me and My Camera. 1.00 News, plus FT index. 1.20 Thames News. 1.30 The Spinners. 2.00 The Riordans. 2.30 Charlie's Angels. 3.30 Trades Union Congress. 4.15 Porky Pig. 4.20 Runaround. 4.45 Into the Labyrinth. *5.15* Botanic Man.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Never the Twain.
8.30 Jonathan Dimbleby: In evidence.
9.00 Best Sellers: "Murder in Texas" (part 1).
10.00 News.
10.30 Best Sellers (continued).
11.20 The Monte Carlo Show.
12.20 am Close: "Sit up and *Listen*" with Canon Trevor Beeson.

All IBA Regions as London except at the following times:

ANGLIA

9.40 am The World We Live In. 10.05 Young Ramsay 10.55 Stingray. 11.20 Pro-Celebrity Snooker. 12.30 pm Botanic Man. 1.20 Anglia News. 2.00 Monday Film Matinee. 5.15 Bless Me, Father. 6.00 About Anglia. 6.30 Survival. 11.20 Anglia Late News. 11.25 Hammer House of Horror. 12.25 am Reflection.

ATV

9.35 am The Legend of Los Tayos 10.20 Call It Macaroni 10.45 Patterns. 11.10 Young Ramsay 12.30 pm Botanic Man. 1.20 *ATV News. 2.00 The Monday* Matinee: "Tamahine," starring John Fraser 5.15 Joe 90. 6.00 ATV Today 11.20 ATV News. 11.25 Hammer House of Horror. 12.25 am Something Different.

BORDER

9.35 am Bailey's Bird. 10.00 Focus on Wildlife. †10.25 Laurel and Hardy in "The Finishing Touch." 10.50 Between the Tides. 11.05 Thunderbirds 12.30 pm Botanic Man. 1.20 Border News. 2.30 *The Love Boat* 5.15 *Survival.* 6.00 Lookaround Monday. 6.15 Look Who's Talking 6.45 The Pot Show. 11.20 Hear, Here. 11.35 Border News Summary.

CHANNEL

12.30 pm *Botanic Man.* 1.20 *Channel* Lunchtime News, What's On Where and Weather 2.00 The Monday *Matinee* "Jacqueline." 5.15 Happy Days. 6.00 Channel Report. 6.10 Chopper Squad 10.28 Channel Late News 11.20 Hagen 12.15 am News and Weather in French.

GRAMPIAN

9.55 am First Thing. 10.00 Tarzan. 10.45 Al Oeming—Man of the North. 11.10 *Call It Macaroni.* 11.30 George Hamilton IV. 12.30 pm Botanic Man. 1.20 North News. †2.00 Monday Matinee. "Contraband Spain," starring Richard Greene. 5.15 Mork and Mindy 6.00 North Tonight 6.30 Target Bowls. 11.20 Father Dear Father 11.45 Barney Miller. 12.15 am North Headlines.

GRANADA

9.30 am Evolution 9.50 Cool McCool. 10.15 Tarzan 11.00 Sesame Street. 12.30 pm *Botanic Man* 1.20 *Granada* Reports 1.30 Valentine's Day. †2.00 Monday Matinee: "Thirty Years of Fun" 5.15 Worzel Gummidge 6.00 Granada Reports. 11.20 It's A Musical World.

HTV

9.45 am Survival 10.10 Fang Face. 10.35 The Red Deer of Grizedale 11.00 Sesame Street 12.30 pm Botanic Man. 1.20 HTV News. 2.00 Disney Cartoon. 2.10 "The Family Kovack," starring Sarah Cunningham. 4.45 Bailey's Bird 5.15 The Flintstones. 6.00 Report West *10.28 HTV News. 11.20 Hammer House* of Horror

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 1.30-2.00 Hamdden. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.25-7.00 Report Wales.

SCOTTISH

9.55 am England Their England. 10.20 Adventure Time. 10.30 Wild Wild World of Animals. 10.55 Welcome to the Ceilidh. 11.20 Pro-Celebrity Snooker. *12.30 pm Botanic Man. 1.20 News and* Road and Weather. †2.00 Monday Matinee: "Thirty Years of Fun." 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 12.15 am Late Call.

SOUTHERN

9.30 am Ride to a Spanish Virgin. 10.10 "Beau Brummell," starring Stewart Granger. 12.30 pm Botanic Man 1.20 Southern News. 2.00 Houseparty. 2.25 Cartoon. 5.15 The New Fred and Barney *Show. 6.00 Day By Day* including Southsport. 11.20 Hagen.

TYNE TEES

9.20 am The Good Word 9.25 North-East News. 9.30 History of the Motor Car. 9.55 *Beachcombers.* 10.15 The Beatles. 10.25 Mumbly. 10.35 Stingray. 11.00 Sesame Street. 12.30 pm Botanic Man 1.20 North-East News and Lookaround. †2.00 Monday Matinee: "Pearl of the South," starring Virginia Mayo *and Denis Morgan. 5.15 End Of Part* One. 6.00 North-East News. 6.02 Sale of the Century. 6.30 Northern Life. 10.30 North-East News. 11.20 The Boldon Lad. 11.55 Thoughts on Moving South.

ULSTER

12.30 pm Botanic Man. 1.20 Lunchtime. 2.30 Young Ramsay. 4.13 Ulster News. 5.15 Joe 90. 6.00 Good Evening Ulster. 6.30 Give Us A Clue. 10.29 Ulster Weather. 11.20 Bedtime.

WESTWARD

9.35 am Sesame Street. 10.35 The Lost Islands. 11.00 Tatters. 11.55 Wattoo Wattoo. 12.30 pm Botanic Man. 1.20 Westward News Headlines. †2.00 *The Monday Matinee: "Jacqueline,"* starring John Gregson. 3.28 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.32 Westward Late News. 11.20 Hagen. 12.15 am Faith For Life. 12.20 West *Country Weather and Shipping* Forecast.

YORKSHIRE

9.30 am European Folk Tales. 9.40 World We Live In 10.05 Herculoids. †10.30 Laurel and Hardy in "The Second Hundred Years." 11.00 A Story of Tutankhamun 11.55 Wattoo Wattoo. 12.30 pm Botanic Man. 1.20 Calendar News. 2.00 Bygones. 2.30 "Miracles and Miss Langham." 5.15 Under Manning. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Give Us A Clue.

F.T. CROSSWORD PUZZLE No. 4,665

ACROSS

1 Everyone satisfactory and kind, *signifying acceptance* (3, 4, 3, 4)
10 County sees troubled times (5)
11 Notice letter that may be *acknowledged* (9)
12 Derange eccentric noble (7)
13 Thrash counter-revolution (7)
14 Protest on getting second-class return to Civvy *Street* (5)
16 . . . is proved a disaster when turned to gas (9)
19 Do the dirty twice on North African soldier (6, 3)
20 Peer at uniform (5)
22 Country folk heading for the Bull (7)
25 Denied entrance in backing study (7)
27 Step on hundreds sick of drudgery (9)
28 Fuel city gives footballers (5)
29 Prepare way to empty stadium (5, 3, 6)

DOWN

2 Prize a girl takes in foreign resort (3, 6)
3 William at first made redundant grew bigger (5)
4 Defer taking holiday with superior (5, 4)
5 Own a foreign currency with it (5)
6 Talk about Diana's progress (9)
7 Hunter belted stars (5)
8 Hang round eastern point of departure for angry persons (4, 3)
9 *Hemmed in? Wouldn't say* yes or no (6)
15 Lawyers join sensitive pump attendant (9)
17 Plain woodcut recording *watery progress* (6, 3)
18 Sit on short thick feathers (5, 4)
19 Its card may be powerful (7)
21 Pit Mason? (6)
23 Stuff pancake (5)
24 This Frenchman might be a metalworker (5)
26 Zest in August or September (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

(S) Stereophonic broadcast
‡Medium wave.

RADIO 1

5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S) 12.00 John Dunn (S). 1.55 Sports Desk. 2.00 Ed Stewart (S). 4.00 David Hamilton (S) 5.45 News and Sport. 6.00 Don Durbridge with Much More Music (S) 8.00 Folk On 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S) 9.55 Sports Desk 10.00 Pop Score 10.30 Star Sound. 11.02 Sports Desk. 11.03 Peter Clayton with Round Midnight 1.00 am Truckers' Hour (S). 2.00-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S) 8.00 News 8.05 Morning Concert (continued). 9.00 News. 9.05 *This Week's Composer:* Bohuslav Martinu (S) 10.00 The Dutch Connection (S). 11.10 Edinburgh International Festival 1981 (S) 1.00 pm News 1.05 BBC Northern Symphony Orchestra (S). 2.05 Mozart Piano Sonatas (S). 3.00 Matinee Musicale (S) 4.00 New Records (S). 4.55 News 5.00 Mainly For Pleasure (S). 7.00 The Sinking of the Titanic. 7.30 Proms 81 Part 1: John Buller (S). 8.10 The Festival Scene in America. 8.30 Proms 81 Part 2 (S) 10.05 Schumann (S) 10.30 *Jazz in Britain* (S). 11.00 News 11.05-11.15 Isaac (S).

VHF only—Open University—5.55-6.55 am and 11.15 pm-11.55.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today 8.35 The Week On 4 8.45 Love Among The Butterflies 9.00 News. 9.05 Start the Week with John Craven. 10.00 News 10.02 Enterprise. 10.30 Daily Service. 10.45 Morning Story. 11.00 News 11.05 Down Your Way 11.50 Weigh-in 12.00 News. 12.02 pm You And Yours. 12.27 The Jason Explanation of Myths and Legends (S) 12.55 Weather; Programme News. 1.00 The World At One 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Fritz on Monday with Fritz Spiegl. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping *Forecast.* 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 I'm Sorry, I Haven't A Clue (S). 7.00 News 7.05 The Archers. 7.20 Start The Week With John Craven. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book At *Bedtime* 11.15 *The Financial World* Tonight. 11.30 Music At Night. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 MMM . . . Maitland's Midday Music. 2.30 Tony Blackburn. 5.00 News. 5.15 Music On The Move 6.33 Inside London. 7.03 Black Londoners. 8.00 As *Radio 1. 10.00-5.00 am Join Radio 2.*

London Broadcasting

5.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight 8.30 Alan Freeman (rock music). 10.30 John Sach's Late Show. 12.00 Midnight Special.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

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THE ARTS

Coliseum

The Seraglio

by RONALD CRICHTON

The lacy, copper-coloured harem designed by Lazaridis for the ENO's ten-year-old production of Mozart's singspiel looked well when it returned on Thursday. Copley's staging has been "revived" by David Ritch. Some of the first act gags involving Osmin are corny, but the old monster's exit at the end of the opera is for once underplayed. If some of the burnish can be borrowed from Roger Frith's lighting and spread over the action, the show will do nicely enough — *The Seraglio* has a way of disappearing too long from London while later and greater works receive unlimited revival.

With a first-rate performance questions of relative greatness become unimportant. This one has not so far reached that stage yet on the musical side, though better things will surely come. They must include a general fining-down and confidence that elegant execution and good projection are not mutually exclusive. Too much on Thursday was crudely sung, spoken and played, in poster-colours, as it were.

The new cast includes names familiar from Welsh National Opera. The Constanza of Suzanne Murphy is sung with more fullness than the music usually receives, and with suppleness as well—one doesn't often hear "Martern aller Arten" given with so much of both qualities. Yet there was some raw tone, and an ungainly way of taking rising intervals which went strangely with the distinguished figure Miss Murphy cut on the stage. She was happiest in the livelier music — "Traurigkeit" (one must give the German titles since the English words were unclear) went flaccid.

The two tenors from Wales, Dennis O'Neill (Belmonte) and Arthur Davies (Pedrillo) were uneven—Mr O'Neill clearly has it in him to be a good fluent Bel*monte* (they are not common) but on Thursday had evident difficulty with the big aria at the beginning of Act 3. Mr Davies shouted "Frisch zum Kampfe" but half-an-hour later obliged with a delicate Serenade. He must attend to the speaking and timing of his dialogue. Marilyn Hill Smith's vivacious Blonda was a tonic until she let a suspicion of vinegar creep into her tone.

Osmin was Richard Angas, towering over Blonda and Pedrillo, a ripe and rounded portrait which would be still better if his rich bass didn't hug the back of his throat. Geoffrey Chard's Pasha was excellent. For once the character held the stage as he should and made one wonder all over again what Mozart might have written for a second low voice. Stephen Barlow conducted. There were good things, but the intense pleasure this score can give only came by fits and starts.

Royal Shakespeare Theatre

Titus, Two Gentlemen

by MICHAEL COVENEY

On the face of it, the presentation on one bill of these two plays is a result of having no particular faith in either. Both date from about 1594 and a programme note points out that while *Titus Andronicus* looks to the past, *The Two Gentlemen of Verona* looks to Shakespeare's future. One is a dour, relentless tragedy in the vein of Seneca, the other a charming romance with many elements more fully developed in the later comedies.

The mood contrast is considerable, but John Barton's production has only trivial stylistic homogeneity. The pit where Titus's sons are ludicrously swallowed becomes Valentine's fishing post. Jousting horses follow Lucius on his avenging return to Rome, and become comic chivalric emblems in the leafy outlaw scenes near Verona. Both plays are done as an exercise in theatrical flourish, actors donning costumes in full view and raiding large trunks for properties. As with almost everything at the RSC these days, the actors amble around the stage and mix with the front stalls and when not performing indulge in, as it turns out, the dubious pleasure of watching colleagues in the limelight.

I really cannot get very excited about this branch of the company, many of whom have somehow survived from *The Winter's Tale*. *Titus* can be done as either a brutal trial run for *Lear* or an outburst of grim whoopee, blood and thunder flecked with the odd ray of poetry. Patrick Stewart's mannered hero has neither the tragic weight of Colin Blakey in the last RSC revival or the sort of bizarre relish evinced by Simon Callow at Bristol three years ago. There are really three roles for Titus: the returning hero, the tortured plaintiff and the sardonic sadist. Gallows humour comes into it, of course, but most of the laughs on this occasion are prompted by feeble acting and half-hearted horror effects.

Two Gentlemen is equally trying, chiefly because of the coy flippancy in the acting tone. The only convincingly directed performance is that of the dog, Crab, who receives Launce's (Geoffrey Hutchings) accusation of insensitivity with a most baleful stare of reproachment. Peter Chelsom is spirited as Valentine and Julia Swift reasonably good as a plump, lisping Julia—a much underrated part in the heorines-in-breeches repertoire. But the rest is painful. John Franklyn Robbins makes something *brusque* and amusing of the Emperor of Milan.

Christopher Morley's messy design of trunks, clothes racks and artificial trees is topped off with a large gauze canopy. It amounts to as uncommitted a visual statement as could be imagined. Only Nick Bicat's music—good to see him back on form—seems to embody any valuable attitude to the material.

Sheila Hancock follows a strangely accented Tamora (after this and Sweeney Todd, she could be forgiven for thinking there are human pies everywhere) with a nicely sex-starved outlaw. There is, however, a dogged and dull atmosphere to the evening. The double bill experiment must be counted a resounding failure. John Barton, who co-directs with Peter Stevenson, would have done better, I feel, to stick with just one or other of the plays. In all, he has cut over 1,300 lines from the texts—no great loss, but no palpable gain, either.

Deep Blue Sea for Greenwich

Dorothy Tutin with Clive Francis and Peter Cellier appear in the first London revival of Terence Rattigan's *The Deep Blue Sea*, opening at Greenwich at the end of this month.

Others in the cast are Richard Kay, Tony Jay, Julia McCarthy, Bruce Bould and Ceri Jackson. The director is Alan Strachan and the production is designed by Peter Rice with lighting by Mick Hughes.

Previews are on Wednesday September 23 with the first night on Monday September 28.

Judy Geeson and Martin Jarvis

Leonard Burt

Garrick

Caught in the Act

by ROSALIND CARNE

Inflatable women, whips and bondage provide good clean fun in this new comedy by Trevor Cowper. The writer's name is new to me and he has hardly taken London by storm. He has, however, hit upon the supremely British knack of making sex safely asexual. This is true '80s lowbrow, complete with a rich oil sheikh, and the New Woman—a mite liberated, but not enough to cause any trouble. Indeed, trouble is quite unknown in this comfy little world where broken affairs lead to faint sighs or mild annoyance and where infidelity causes a raised eyebrow or, if you are very unlucky, a jugful of water in the face.

As the title implies *Caught in the Act* is intended as farce. But even farce should challenge, by surprise, outrage or speed, if not by wit. Cowper's play fails on all these counts. The jokes, mostly double entedre, range from mild to dire, with a running theme of business and pleasure. Yet it has a cosy, familiar, middle-class flavour and is not unpleasant to watch. Much credit here goes to Martin Jarvis as the young barrister who stumbles late at night into the wrong flat and the wrong woman's bed.

The happy mistake (the bed belongs to Judy Geeson alias Cherry) sets off a train of minor complications which are resolved with enviable ease and lack of suffering. Cherry is chair-person of Pleasure and Leisure (PAL). Martin (in the play as in life) has worked as prosecution counsel in the clean-up Soho campaign. With beguiling innocence he believes PAL to be distributors of cricket bats, boxing gloves and wet suits.

His dull, rich fiancée, Helen, and Cherry's inane stammering lover, Bill, fill out the action around a suitably complex three-part set. Slimy Prince Hassan pursues Cherry and ends up a partner in the sex shop chain. Actor Geoffrey Colvile plays Cedric, Cherry's colleague, more as stage vicar than a perpetrator of porn, in line with the play's mildly risqué message, sex shops offer a good service to sad, frustrated people. Cedric turns up at the farcical climax in the latest black leather outfit from Hong Kong. This is as near as we get to a glimpse of the seedy world he inhabits. Every other sexual allusion is suffused with bland innocence. If there's anything corrupting about this flabby piece of soft core humour it is the dreary old assumptions it so painlessly reaffirms.

Theatre Royal, Bristol

Good Morning, Bill! by B. A. YOUNG

"They're all trying to be funny," Ben Travers complained when he saw a recent production of one of his farces. No one need try to be funny in a farce, except the author, and P.G. Wodehouse is funny enough in *Good Morning, Bill!* without any outside help. In any case, the play isn't a farce at all, but a light comedy characteristic of its time (first production, 1927). Eric Thompson, the director, has clearly taken it to be a farce, however, and has peopled it with farcical characters that almost strangle it at birth.

They don't succeed, because this is a sturdy comedy capable of holding its own. But oh, the first ten minutes! On comes Marie, a hotel chambermaid. Dance-music is heard from outside, so she has to dance across the room in time to it. Enter Lord Tidmouth (Ian Price): he not only puts on a funny voice, but strikes funny attitudes. When the funny voice of call-girl Lottie is heard from the bedroom, followed by the funny figure of Lottie herself (Lesley Duff), it seems as if we are condemned to an evening parodying the worst elements in the English comic stage, complete with nudges to the audience.

We're not, though, by no means. Bill Paradene, our hero, is properly played by Geoffrey Bateman as a rich Wodehousian young man, a normal chap from the world of Psmith, rather than Jeeves. He is madly in love with a girl he has met on the golf-course. She turns out to be a GP, Dr Sally Smith, and it is she who comes when a doctor is sent for in a hurry to treat Lottie for a faint. Joanne Pearce, with bobbed hair in a marcel wave, has got the character precisely.

The action moves to Bill's country house, luxuriously designed by Belinda Ackermann. So do Sally and Lottie; one after another, to provide the required misunderstandings. Fuelling the misunderstandings is Bill's golfing uncle, Sir Hugo, an amiable performance by Geoffrey Chater, and Tidmouth is staying there in the interests of symmetry—for I need hardly say that Sally agrees to marry Bill in the end, once she is convinced that he is not one of the idle rich but an industrious dairy-farmer, and Lottie pairs off with Tidmouth to start a farcical household somewhere, I hope, a long way from the Paradenes.

Wodehouse's forte in his novels lies not in the dialogue but in what comes between. There are occasional Wodehousisms in *Good Morning, Bill!* such as the unexpected use of quotation—"Oh, my prophetic soul, my uncle!" says Bill, when Sir Hugo turns up. But mostly, it's straightforward comedy, and when you can get those farcical intruders out of the way, and, if you don't mind the most un-unexpected curtain-lines in history, it's a really welcome revival.

Scottish Theatre Company wins Tennent Caledonian Award

The Scottish Theatre Company will commission a new work for next year's Edinburgh Festival with funds given them as winners of the third Tennent Caledonian Award. Mr Hamish Swan, managing director of Tennent Caledonian Breweries, explained: "The Tennent's award was established to provide funds for innovation in the arts through the Edinburgh Festival."

Announcing the 1982 award at the end of this year's festival, he commented: "The intention was to commission, through the best companies in the different disciplines. We are delighted that a new Scottish company should have proved itself such a success that the award committee should nominate it for an award."

Previous awards have been won by opera and dance companies, and the 1981 winner *Dances of Love and Death* has just been premiered in Edinburgh by the London Contemporary Dance Theatre.

The Scottish Theatre Company, which was founded at the beginning of this year "to produce the best work of Scottish dramatists and to show them as widely as possible in Scotland and abroad," will premier its new work at the 1982 festival, after which the Scottish Arts Council has agreed to back the production on a countrywide tour.

Albert Hall/Radio 3

Chicago Symphony Orchestra

by PAUL DRIVER

The last visit to the Proms by Sir Georg Solti and his Chicago Symphony Orchestra in 1978 was an enormous success and is remembered for its introduction to English audiences of Tippett's Fourth Symphony and for a shatteringly powerful reading of Bruckner's Seventh. At the time one distinctly felt that it was in somewhat refractory music like Bruckner's rather than in more obviously gratifying showpieces like the *Pathétique Symphony* — which they also played — or indeed the Tippett, that the orchestra's famed virtuosity was most profitably displayed. The special concentration won by the Bruckner showed, after all, that real virtuosity is not skin-deep; while the orchestra's and Solti's remaining slickness were all to the advantage of a loose-limbed work.

The programme chosen for the first of the orchestra's two Promenade concerts on Friday was entirely regressive from this point of view. It was a very peculiar programme in any case—Strauss's *Don Juan* leading to Samuel Barber's first *Essay for Orchestra* leading to Beethoven's Eighth; and after the interval the Musorgsky/Ravel *Pictures from an Exhibition*: a concoction without rhyme or reason, always deflecting focused attention. Not for a moment were musical surfaces going to be penetrated. The orchestra was like a great lithe animal padding about with grace and elegance in search of something it could not find. Where, as in the Strauss, one knew there was little beyond the surface anyway, it was proper enough to admire the orchestra's superbly accomplished balance of sound — instanced in the way a section of trumpets could seem to blossom from within the sonority of a mass of cellos making a perfect complement. The Barber *Essay*—a tribute to the recently deceased composer — gave the players no opportunity, either, to do other than skate across a smoothly finished, craftsmanly surface; and the work forbade any daring figures or glides.

But one had not expected the Chicago's Beethoven to be quite such an indifferent experience, not even particularly suavely executed or free from petty blemishes. Solti's tempo in the first movement was too slack, and he allowed it to slacken further to no apparent advantage. Nor was one convinced that he had deep understanding of the fascinating marriage/clash of true minds that is Musorgsky's *Pictures at an Exhibition* in Ravel's orchestration. The performance was beautiful and brilliant (marvellous muted trumpet solos in the "Portrait of Two Jews") but Musorgsky's sombre construction had been drowned by Ravel's glittering fountain.

The "Promenade" parts of the work were treated to a literal interpretation by some 200 ladies and gentlemen in evening dress who trundled into their block of stalls ten minutes late and took a good 15 obliterating minutes to do so.

★

The second of the Chicago Orchestra's two appearances at the Proms on Saturday evening had been described in advance by Solti as its "heavy" night—two works only, Bruckner's Fourth Symphony in the revised (1886) version, prefaced by Bartok's Concerto for orchestra. So for the first half at least the orchestra was still able to demonstrate its marvellous virtuosity. Few pieces put a great band through its paces more effectively than Bartok's Concerto and, commissioned for the Boston Symphony Orchestra, American orchestras always seem to lend a special brilliance.

Solti's first recording of the work (another, with the Chicago Symphony, has been issued to coincide with the London visit) had been for many years definitive. The combination of extroversion and precision suits him exactly, and Saturday's performance was as physically exciting as everyone expected. But in many ways it was even more overwhelming, for Solti has now brought to the outer movements a logic and structural unity which almost compensate for their lack of real astringency. It still may not be Bartok's best orchestral work, but neither is just orchestral sleight of hand.

The absolute certainty of the Chicago's playing had a lot to do with the high definition of the faster movements, but in the second and third movements a close focus was not such an advantage. Solti moved the "Game of Couples" rapidly along, almost obliterating any sense of fun and emphasising instead the excellence of his woodwind soloists; in the "Elegy" clarity could profitably have been traded for some atmospheric vagueness, though the string build-up to the main climax was splendidly textured. Elsewhere there was nothing to do but admire the playing and Solti's control of it.

Throughout Bruckner's Fourth also, there was a succession of technical triumphs to savour—the detail with which the most basic string accompaniments were registered, the eloquence of woodwind solos, the weight and warmth of the brass chorus. Yet Solti's approach was unconvincingly piecemeal. His conducting knows only certainties and the opening of the symphony needs less impulsion and less assurance than here. The slowing down for the second-subject group was no compensation. The slow movement was sung in sorrowful yet isolated phrases; the scherzo neatly dovetailed strings and brass, but lingered once again in the trio. Yet the finale almost swept all misgivings aside. It is difficult to gainsay such an awesome display of orchestral power.

ANDREW CLEMENTS

Architecture

The Church's Shackles

by COLIN AMERY

A major report has just been published which is ostensibly about the state of the Church of England. While it is really concerned with the spiritual welfare of that body it is a document that has immense architectural repercussions. The report, *To a Rebellious House?* report, *To a Rebelliouse House? England Partners in Mission Consultation 1981* is the product of a team of outsiders looking objectively at the strange and sometimes archaic ways of the established church.

The worrying part for all of us who visit old churches for pleasure and enjoy the sight of them in our towns and villages is the heart of the report which says, "we are shackled . . . by an accumulation of traditions, customs and archaic structures." This means the Church feels that it can no longer carry the burden of so many old and often aesthetically valuable buildings if it is to be able to carry out its spiritual work effectively.

What are the fact about our ecclesiastical buildings that the Church of England feels are such a burden? There are 18,000 parish churches and 41 cathedrals and a lot of them are empty a lot of the time. The Pastoral Measure of 1968 set up ways of dealing with churches that had become redundant by establishing a Redundant Churches Fund that would, once it was absolutely convinced that there were no other uses for the church building, agree to maintain it as a relic of the past. The Fund has to be pretty well convinced that the church is distinguished architecturally or historically to be worth keeping.

The problem does not stop with the Anglican church. There are many Nonconformist chapels and a few Catholic churches that are also redundant. But a new problem has cropped up in Liverpool where a Roman Catholic church, St Francis Xavier, is to be partially demolished. Because the spire and one chapel of this great Victorian structure are to be retained the church authorities feel that it still counts as "ecclesiastical buildings in use" and therefore the partial demolition does not need planning approval.

The church of St Francis Xavier in Everton is widely considered to be one of the finest Catholic churches in the city of Liverpool. It is a Jesuit church and was built to the designs of Pugin's great rival, the architect J. J. Scoles, between 1845-49. It stands in Salisbury Street, a great stone building, and it is close to the collegiate buildings. One of these is by Henry Clutton and it is threatened with demolition as part of the same redevelopment scheme.

Clutton is best known for his arcaded buildings around the Piazza in Covent Garden. It is perhaps the inside of the church that is the most interesting part in a heavy Victorian version of the Decorated style. The tower and spire which today are an important landmark were described by the *Ecclesiologist* in 1853 as "below criticism."

A recent report by SAVE Britain's Heritage points out that the church has, since its consecration, been progressively enriched by handsome and impressive fittings. The report describes it as "one of the most complete and moving repositories of Victorian Catholic Art in the country."

This splendid and much loved church is to be demolished to provide space for new houses. The curious thing is that it is surrounded by empty land and has a large stock of empty and unlisted school buildings that no one seems to want. The church is not in a serious state of disrepair, nor is it empty. It has large congregations and they feel strongly enough that they have handed a petition of 8,000 signatures to the Lord Mayor of Liverpool protesting about the proposed demolition.

Not so far away from Liverpool in Leeds the wonderful church by the Victorian architect George Frederick Bodley, St Edward's at Holbeck, is to be demolished after being used at an antiques store for some years. Since the war no fewer than 28 Anglican churches have been lost in Leeds.

The excellent exhibition *The Fall of Zion* that tells the equally sad tale of the fate of the chapels of Yorkshire and Lancashire is running until November 15 at the Bracewell Smith Hall at Cliffe Castle, Keighley—one of Bradford's major museums.

It is time all the churches sat down with the Historic Buildings Council and decided to see if there is any way the massive cultural and architectural losses that appear to be inevitable with the decline of church-going can be prevented. A National Trust for churches or more State aid are possible solutions—in this case prayers aren't enough.

CRICKET BY TREVOR BAILEY

Nat-West scores in close finish

THE NATIONAL Westminster Bank, biggest and newest major sponsor of county cricket, should be well pleased with its first year at the wicket.

Even Sir Donald Bradman could hardly have improved on its timing.

Not only has it coincided with probably the most exciting, though not the best, Ashes series ever, but both NatWest semi-finals produced dream finishes.

Northampton beat Lancashire by one wicket off the penultimate ball of the day after a most improbable 10th wicket partnership and Derbyshire finished level with Essex off the last ball and went through to the final by virtue of losing less wickets.

Although Derbyshire and Northants are two of the less colourful counties, rather like Middlesbrough meeting Coventry in the FA final at Wembley, they provided Lord's on Saturday with a drama, which none of the 18 previous Gillette finals has ever approached, with Barry Wood's team coming from behind to win off the last ball of the final over with the totals equal.

As a game of limited overs cricket, it could not have been bettered, with the outcome in doubt for 120 overs, in which 470 runs were scored and the fielding was brilliant.

Northants were given the ideal start by Cook and Larkins, the best opening pair in domestic cricket, but their later batsmen failed to capitalise on it sufficiently to make victory certain, largely because of two close, unnecessary run-outs. Their senior bowler, Sarfraz, was also below his best and conceded 58 runs.

The outstanding individual performer has always tended to dominate cricket to a larger extent than in most other team sports.

Without the prodigious all-round feats of Botham England would never have beaten Australia, while the Australian attack in the last two Tests depended almost entirely on Alderman and Lillee. The Schweppes championship, to be decided next weekend, rests between Notts, who, now that Derbyshire have carried off the NatWest Trophy, are the only county not to have won a major honour since the last war, and Sussex.

All the Notts team have contributed something to their success, especially Randall with the bat and in the field and Hemmings with his off-breaks.

But the main reasons they are at the top of the table is the bowling of Hadlee, the leading wicket-taker in the country, and the all-round form of their captain, Rice, plus the fact that the Trent Bridge pitches have been less placid than in the past, when results were difficult to obtain.

Sussex owe their position mainly to the bowling of Greig, Le Roux and Imran who have all captured more than 70 wickets, as well as frequently embellishing the efforts of an impressive batting line-up.

There is nothing wrong with that, but it is something of an indictment of English cricket that all five learned the game overseas, while a current look atthe first-class averages is even more revealing.

Gower at No 9 is the only Englishman in the top ten batsmen and there are only two home-born bowlers in the bowling top 10.

The efforts of a high-class cricketer are inclined to be even more vital in the longer limited overs game than in first-class cricket. This year's Benson and Hedges final was won by Sussex through the batting of Richards and the bowling of Garner.

Although a major innings by Greenidge, or Miandad, or Zaheer can literally decide a single John Player League match, the ability to bowl to a field plus consistent batting throughout the summer are essential in this competition, which is why Essex, Warwickshire and Derbyshire are battling it out for the title.

In the NatWest final the innings of Wright and Kirsten put Derbyshire in sight of victory, but one of the most satisfactory features was that home-born players contributed significantly.

Cook supplied a most impressive century, for which he was rightly Man of the Match, as well as handling his bowlers admirably.

With Larkins, he displayed a class which suggested they could open for England one day,

Rather more surprisingly, Mallender, only just 20, bowled as well as anybody on the day, while Newman despite an over-long run-up has sufficient pace to suggest that he could challenge forthe place of Willis in the not too far distant future.

TENNIS BY JOHN BARRETT IN NEW YORK

Private indignation at U.S. Open

ALL WAS calm on court as the first week of the centenary U.S. Open ended at Flushing Meadow with Chris Evert Lloyd and John McEnroe, the top seeds and defending champions, moving convincingly into the fourth round.

Mrs Lloyd beat Alycia Moulton 6—3, 6—1 and McEnroe beat Pat Dupre 6—3, 6—2, 6—3. Afterwards the New York left-hander said "I'm feeling better match-by-match. Playing singles and doubles on alternate days keeps me in shape and keeps me competitive."

Behind the scenes, however, there was indignation in many quarters at the Pro Council's leniency in halving the fine proposed at Wimbledon on McEnroe. McEnroe did not say whether he would appeal against the $5,000 fine. My guess is that he will not. It all smacks of plea-bargaining and underlines the total failure of the game to discipline leading players.

There is no doubting McEnroe's ability, however. Mel Purcell of Kentucky, who took fifth-seed Jose Luis Clerc to five sets, osberved: "I don't know how McEnroe does it. These courts give you nothing. On clay you can slide; on grass you can move well; but these courts are unrelenting. You feel it in your feet, your ankles, your knees—and after a long match all the way through your body."

In McEnroe's half the pressure seems likely to come from either Clerc, who won his 28th match in succession when defeating Purcell 6—3, 0—6, 0—6, 6—4, 6—3, or the third seed, Ivan Lendl. Lendl removed the remaining qualifier, Mark Vines of Virginia, 6—3, 3—6, 6—2, 6—3 in a match twice interrupted by smoke and steam from a burning rubbish-container standing just outside the court complex.

Lendl is the only player to have beaten McEnroe twice this year in grand prix tournaments. He won in Paris before progressing to the final and then, six days after McEnroe had won his first Wimbledon, Lendl beat him on this stadium court at Flushing Meadow in the quarter-final of the Davis Cup.

Clerc had never lost two love sets and won a match in his career but he blamed his slump on fatigue. He had played a five-set match late on Friday. This unsympathetic scheduling is unnecessary and hard to understand: It has blighted this championship before. Two years ago Dupre suffered when he had to play Connors in the quarter-final with no rest after beating Solomon in five hard sets.

In the fourth round Clerc escapes a seeded played with the surprise defeat of the 11th favourite, Peter McNamara of Australia, by Bruce Manson in four sets.

In the other half Bjorn Borg, still striving to win the U.S. Open for the first time, has had a comfortable time and has not conceded a set. He knows, however, where the danger lies—from the strong left arm of Roscoe Tanner, who beat him here two years ago. They are due to face one another again in the quarter-final.

Beyond Tanner looms the menacing figure of Jimmy Connors, coming through quietly but efficiently.

The chief casualty in the women's field was Andrea Jaeger, unquestionably seeded too high at No 2, who was always likely to suffer because of a shoulder injury. She was dismissed by the 17-year-old qualifier from Maryland, Andrea Leand, 1—6, 7—5, 6—3. Miss Jaeger's chance came when leading 5—2, 30—0 in the second set but she faded from that point.

Tracy Austin, the third seed, looks set to progress to the final without difficulty. After losing the first three games to Pam Casale, Miss Austin took 12 games in a row with her best display of the championship.

Mrs Lloyd faces a more demanding second week if, as she should, she beats Bettina Bunge in the next round. She will face the most talented girl in the field, Hana Mandlikova, who beat her in Paris and was runner-up to her in these championships last year and again at Wimbledon.

With Martina Navratilova and Pam Shriver likely to dispute the other semi-final place, Mrs Lloyd will clearly have to call on all her reserves of concentration and experience to cope with the challenge.

Further rumblings behind the scenes concerned the announcement that Owen Williams of South Africa has resigned from the Pro Council, to succeed Michael Davies as executive director of World Championship Tennis, WCT's rich circuit next year, in direct conflict with the Grand Prix, seems likely to plunge the game back into a battle for control of the leading players' services.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday September 7 1981

The unions and change

IN POLAND this week the trades union movement, Solidarity, is holding the first of what might turn out to be many annual conferences. In Britain the TUC is holding its 113th. The emergence of the Polish movement has filled anyone of a liberal persuasion with hope, yet the longevity of the British movement is beginning to create at best indifference and at worst despair. Clearly there are enormous differences in the political and historical circumstances, but it is at least striking that Mr Lech Walesa, the Polish union leader, should be regarded as a key figure—in both East and West—while Mr Len Murray, the General Secretary of the TUC, is hardly a force in contemporary British politics.

Labour Party

Part of the explanation lies in political and social change. The British Labour movement sets out to challenge, or at least to redirect, the power of capital. Many of its battles have already been won. One of the signs of that, for instance, is the way working-class children who might once have worked their way up through the union structure are now creamed off by the educational system at an early age. The unions have lost their natural catchment area, partly as a result of their own efforts. The question is where they go from here.

It is a particularly difficult question to answer during Mrs Thatcher's Government and the present turmoil in the Labour Party. In other times, in the days of the two party political system, it would have been perfectly reasonable to assume that any government which presided over nearly 3m unemployed would be bound to lose the next General Election: therefore the unions and the Labour Party would have been justified on concentrating their efforts on how they would co-operate on their return to power.

Even today there is a case for that view. That is why some union leaders are supporting Mr Denis Healey as deputy leader of the Labour Party in the hope that the old broadly based party can still survive with a chance of coming back to office. Others, no less honestly, are supporting Mr Tony Benn in the hope of establishing an altogether more radical movement.

Authority

Yet it has to be said that in clinging so closely to the Labour Party, the unions are taking a considerable political risk. Not only is there the possibility that the present government may recover, there is also the chance that the Parliament after the next General Election might be dominated by an alliance of Liberals and Social Democrats. Union leaders seem to have taken little account of underlying political change.

Even without this direct political involvement, the unions have problems enough of their own. As Mr Murray was repeating yesterday, overall membership is down. Some of that is the result of recession, but other signs of decline have been emerging over the years. For example, union funds are not what they were: the average subscription paid by union members is lower than that in several other industrialised countries. This in turn has an effect on union organisation: for example, on the ability to pay enough full-time officials or to call in outside advisers.

Apart from that, there is the question of authority. It is no longer clear how far union leaders represent their members, many of whom voted Tory in the last election and may now be swinging to the Social Democrats. Authority has also been lost to the shop stewards, with union leaders frequently unwilling to assert themselves at the national level.

Serious

These are serious matters and not only for the unions. While one view might be that the British unions belong to the past, employers still need someone to negotiate with and employees still need someone to represent them. If you read the small print of the TUC's latest annual report, it can be seen that the movement is aware of the problems. We suspect, however, that they are considerably more important than the debates which will dominate the headlines from the conference in Blackpool this week.

Mr. Sadat in trouble

NOTHING could be in greater contrast to President Anwar Sadat's image as a voice of moderation and a pillar of stability in the Middle East than his massive round-up of opponents and trouble-makers in Egypt last week. The wholesale arrests constitute his most dramatic action on the domestic front since May 1971 when, seven months after succeeding the late President Nasser, he eliminated the left-wing ideologues who had close links with the Soviet Union, and thus consolidated himself in power. The scale of the crack-down, involving about 1,500 citizens and covering the full spectrum of dissent, indicates the biggest crisis since the riots by students and workers early in 1977 prompted by a reduction in subsidies and rise in food prices.

Coptic minority

In attempting to explain the reasons for his draconian action Mr Sadat made no distinction between two separate, if indirectly related, elements challenging his authority and threatening public order. One is the communal tension between the Moslem majority and the Coptic Christian minority which accounts for about 10 per cent of the country's population. The other is the wide-ranging, though largely repressed, opposition to his foreign policy, in particular the Camp David accords and the peace treaty with Israel, and the failure of his economic strategy to show any signs of curing the country's deep-seated ills. The connection lies in the fact that the most bitter and hostile critics of his accommodation with Israel and pronounced pro-Western inclination are the Islamic extremists responsible for the friction with the Copts.

Last week's demonstrations and violence in the streets of Cairo emphasised again the seriousness of the religious strife that first emerged fully as a disturbing feature of the Egyptian scene with the clashes in Upper Egypt in the spring of last year. Then Mr Sadat accused Pope Shenouda III, the patriarch of the Copts, and his fellow clergy of conspiring to partition the country. In reality the Christian minority has been subject to both prejudice by the state and provocation by Moslem extremists. Mr Sadat has now suspended the 1971 decree appointing him head of the church, despite the fact that the Coptic leadership asserted its loyalty to him at the end of July before his departure to Washington and London.

No doubt Mr Sadat resents the existence of a spiritual allegiance over which he holds no sway. But his decision, which can only increase Christian resentment, should be seen more as an attempt to balance his measures against Islamic extremists and to limit the offence to the Moslem community in general. The President must regard the militancy of his co-religionists as a graver challenge, first and foremost because of their bitter hostility to the U.S.-sponsored peace process. Fundamentalist criticism on this score, worryingly coalesces with that of the left-wing opposition, which is allowed little or no part in Egyptian politics, and more moderate opponents such as the internationally respected journalist Mr Mohammed Hassanein Heykal, who is among those detained.

Israeli withdrawal

Mr Sadat's concern about completing the implementation of the peace treaty by bringing about full Israeli withdrawal from Sinai in April, 1982, is the chief explanation for his crackdown. Yet the extent of opposition shown by the number of arrests has illustrated how difficult it will be for the President to make progress with another important element of the pact—the normalisation of relations between Egypt and Israel.

Both Jerusalem and his friends in the West can only be disturbed by a purge which also has demonstrated the very circumscribed nature of Egypt's democratic experiment and made something of a mockery of Mr Sadat's professed respect for human rights. More ominously a question mark has been set against Mr Sadat's ability to maintain power indefinitely and over the continuation of his policies if he decides—as he hinted last week—not to run for a third period in office next year.

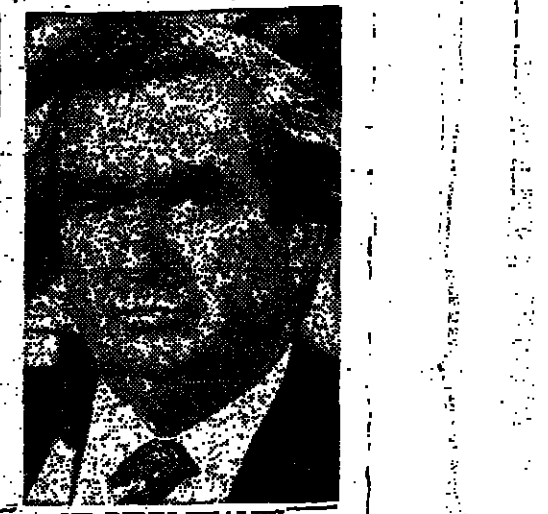
TRADES UNION CONGRESS 1981

Labour's manifesto, union style

By Christian Tyler, Labour Editor, in Blackpool

MR TONY BENN
conference decisions

MR LEN MURRAY
shift in opinion



MR DENIS HEALEY
relief for establishment

MR ARTHUR SCARGILL
Benn supporter

MR MICHAEL FOOT
"just lies down"

MR TERRY DUFFY
Healey follower

A TRADES Union Congress agenda is not the first place to look for bold initiatives, subtle criticism or elegantly-worded argument. And the agenda for the 113th congress that opens in Blackpool this morning is no exception. The greater part of the next five days will be devoted to a recitation of the trade union *credo*: long-held policies will be re-affirmed and government actions that have cut across those policies will be deplored.

Yet the tone of this congress is somehow different. The unions have tired merely of berating Mrs Margaret Thatcher and monetarism. They are addressing themselves this year much more directly to the Labour Party and to those who will be writing Labour's election manifesto. Among their demands will be repeal of the Employment Act, the abolition of private schools, an unambiguous commitment to scrap all nuclear weapons, more spending on state service industries, legislation to curtail working hours and the "socialisation" of the steel industry.

The first premise of the week's proceedings is thus that Labour will return to power in a little over two years' time.

The premise, of course, is a dubious one because of the peculiar political developments of the last 12 months. Trade union leaders know that, but there is no other premise upon which their policy debates can be founded.

Nor will the premise be seriously questioned (although alarm is apparent already) until the contest for the deputy leadership of the Labour Party has been decided at the end of this month. Even then it will be some time before the full repercussions of that contest become clear. If Mr Tony Benn wins, some more Labour MPs may quit to join the Social Democrats. But will it be a flood or only a trickle? Again, Mr Benn established as deputy leader may look less fearsome to the moderates than Mr Benn on the hustings. Would he still be judged a terrible electoral liability by parliamentary colleagues and by the opinion polls in a year's time?

If Mr Denis Healey hangs onto the job or Mr John Silkin unexpectedly come through the middle the TUC establishment would heave a sigh of relief and declare (perhaps optimistically) that the show was over and that it was time for the party to get on with the job—presently being done by the unions—of providing real opposition.

Most union leaders appear not to regard the deputy leadership contest as quite the political crisis it is described elsewhere even though they and their members, with 40 per cent of the electoral college machinery at their disposal, are deeply involved in the choice. The campaign has affected them all but it cannot be said to have split the General Council of the TUC into two, clear warring camps. On most issues consensus has been the order of the day at Congress House for the past 12 months.

This year's congress, starting today, will address itself to influencing future Labour policy in the hope that that party will take power in a little over two year's time. Meanwhile the Left-Right ideological game will continue to be played. The Left has gained ground within the TUC recently and the Right could find itself even more isolated.

Naturally Mr Healey has his devoted followers on the General Council, a Right-wing group of union leaders including Mr Terry Duffy of the Engineering Workers, Mr Frank Chapple of the Electricians, Mr Sid Weighell of the Railwaymen, and Mr Bill Sirs of the Steel Workers.

Mr Benn is unwaveringly supported by the Left, which includes the Marxist Mr Arthur Scargill of the Miners, Mr Alan Sapper of the cine technicians, and the two Communists, Mr Ken Gill of the engineering white collar workers, and Mr George Guy of the Sheet Metal Workers.

But there are union leaders on the Left, notably in the Transport Workers, who do not care much for Mr Benn's style and do not like some of his constituency supporters even though they can disagree with none of the policies; and there are moderates who have deep misgivings about Mr Healey.

As for Mr Silkin—well, he is the "unity" candidate, a bargaining counter who might just be drafted as a way of dodging the issue entirely.

Those on the Left see the choice as critical to the future implementation of policies they have worked all their lives to promote. With Mr Benn as deputy leader, they say, a radical, socialist economic programme would have at least a chance. With Mr Healey there it would have virtually none.

If Labour fails to secure an overall Commons majority or if an SDP-Liberal alliance so splits the vote as to let the Conservatives back into office, that would be a savage blow for the unions. Yet Mr Len Murray would feel obliged to try and come to terms with the new administration. After all, the TUC is strictly speaking not a party political organisation and half of its 100-plus constituents are not affiliated to the Labour Party. "We might have to do a deal with a Tory Government," he says. "We cannot go into the wilderness. We cannot afford the luxury of being in permanent opposition."

It is possible, but still most improbable, that one or two union leaders would suggest to their members that it was time to break with the Labour Party altogether especially if it looked as though the Social Democrats, having mated with and then devoured the Liberals, were going to supplant Labour as a natural party of government. The Electricians and the Engineering workers, for example, might decide they could afford such a step even if it meant establishing a rival trade union centre. But most unions would feel obliged to follow Labour into the wilderness and kick their heels for another five years if necessary.

The Benn-Healey contest is only part of a deeper and longer ideological game that is played out — for the most part amicably — on the TUC general council.

At the moment the Left are gaining ground rapidly. There has been an interesting shift of allegiances on the council over the last two years, culminating at the end of last week in two important decisions that narrow still further the policy gap between the Congress leadership and Labour's National Executive Committee. By large majorities, the General Council decided that the delegates this week should support unilateral nuclear disarmament and a campaign for British withdrawal from the EEC without a popular referendum.

Mr Murray explained with some justification that these new departures were really symptomatic of a shift in public opinion generally. And there can be no doubt also that one effect of Mrs Thatcher's decision to ignore the unions as far as possible while performing surgery on the British economy has been to start a leftwards shift in the TUC.

The result is that the half dozen die-hard left-wingers who could formerly muster no more than 10 to 12 votes on controversial topics now find themselves in the van of a majority. Today it is the right-wingers who are isolated as the centre—unions such as the General and Municipal Workers and the Local Government Officers of NALGO—shifts its ground.

The isolation of the rigt-wing group has been highlighted by this week-end's furore over allegedly illegitimate canvassing for general council elections. Mr Roy Grantham, of the clerical workers' union, an aggressive and unpopular right-wing figure, is trying to recapture the seat he lost in the early 1970s. He has been accused of overstepping the bounds of fair horse trading by sending letters to union leaders advising them how their delegations should vote on an entire slate.

The issue will surface in another form today when one of Mr Grantham's allies, Mr Brian Stanley, of the Post Office Engineering Union, is due to ask congress to substitute automatic representation on the council for large unions in place of the present purely elective procedure. If he wins that vote in spite of the opposition of the General Council itself and the odium surrounding the right-wingers because of the Grantham incident, both he and Mr Grantham would eventually dislodge some of the Left-wingers.

The Centre-Left alliance on the General Council has survived even a heated pre-congress debate on incomes policy, the issue that traditionally separates the moderate majority from the Left minority. The council will this week support a Left-inspired motion on free collective bargaining that categorically rules out external pay restraints from any government including a Labour one. The moderates will agree reluctantly to this motion with the qualification that if Labour delivers on price, profit and dividend controls the TUC would be free to discuss wages as well. Their authority for such discussion is contained in the annual report to the congress which this year includes a statement agreed on the TUC-Labour Party liaison committee on the economy and the problem of inflation.

Echoes of Mr Benn's campaign for "democratic accountability" can be discerned here. The fiercest defenders of free collective bargaining — among whom the Transport Workers loom large—will insist that the congress motion takes precedence over the joint statement. In the same way Mr Benn insists that party conference decisions take precedence over the views of future Labour cabinets.

The unions should have little difficulty getting most of what they decide this week written into Labour's manifesto even if some of them doubt the ability of any Labour leadership, however committed, to carry out a socialist programme in Britain's mixed economy. What worries the moderates is not that the TUC will have too little influence on the Labour Party but that it will have too much. Some are nervous of getting more co-operation than they really want and too little room for manoeuvre. As one said of Mr Michael Foot, the Labour Leader: "He just lies down in front of the unions."

Trade union influence extends even further, to the party's internal affairs as well. A group of the largest unions affiliated to the party, Trade Unions for a Labour Victory, is about to exact its price for bailing the party out of its financial mess. Much to the chagrin of Labour's National Executive, which views the operation with great suspicion, a voluntary fund to support the Labour Party is being set up by these unions largely under their control.

The TULV committee met in Blackpool on Friday to discuss how much money was likely to be raised. It also agreed to support the Labour Party's proposed increase in affiliation fees. But unions will find it difficult to contribute much cash from their political funds. The Engineering Workers, for example, have had to cut their party affiliation from £928,000 to £850,000 because of unemployment and have said they can put nothing into the fund.

Chaired by Mr David Basnett, of the General and Municipal Workers' Union, the committee began life as a consortium for rehousing the Labour Party in Walworth Road, South London. It took on a political role during the 1979 general election. But since then it has been reconstituted on the understanding that it does not attempt to influence Labour Party policy.

The trade unions are looking forward to an uncertain future with their political offspring. But Mrs Thatcher's Government has not been entirely forgotten. This week may see the groundwork laid for a joint public service union offensive on the cash limits for pay in health, education and government administration. Offers of less than 5 per cent are expected. Given the experience of the civil servants this spring and summer after one of the longest pay disputes this century it remains to be seen whether that challenge develops into conflict.

In spite of more than two years of political isolation, economic recession, falling memberships, starved treasuries and negotiating weakness, the unions are not acting like soldiers in retreat. But so long as the Labour Party's inner turmoil continues they are desperately short of generalship.

MEN AND MATTERS

Swiss bank on Leutwiler

Finding a dead cert for the presidency of the Bank of International Settlements is about as likely as picking a Grand National winner, but the tic-tac men in Basle now reckon that local thoroughbred, Fritz Leutwiler may be a nose ahead.

BIS, owned by the world's main central banks and holding a $50m balance sheet, is looking for a successor for Jelle Zijlstra, the Dutch central banker, who is quitting the bank's discreetly opulent HQ after 15 years in the hot seat.

The question of the new chief is expected to be high on the agenda when the governors gather for their monthly meeting in Basle today. No decision is expected until nearer the end of the year when Zijlstra retires. However, BIS-watchers are speculating that this time neutral Switzerland, ruled out of top jobs at the EEC, UN and the IMF, may this time carry away a succulent international appointment.

As the host nation, the Swiss have been members of BIS since it was set up in 1930. With impending retirements, inexperience and, all too often, politics, ruling out many rival candidates, Leutwiler of the Swiss National Bank seems to have emerged as the front runner.

"Leutwiler is the hot candidate," one central banker assured me last week. "It's really up to him whether he wants the job."

Few doubt that he does. At 57—a mere lad in these circles—he has already won the banker's highest accolade by being described as "a crafty old fox." Leutwiler has repeatedly said he wants to leave the National Bank before the retirement age of 65, though he will be staying at least until 1983. The BIS presidency must appear an extremely attractive way of rounding off his career.

For its part, BIS is likely to be receptive to the idea of an interim president for a short spell of, perhaps, three years.

There has after all been a precedent. Ernst Weber, another Swiss, was chairman of BIS for three years during the war, though with all its principal shareholders fighting each other, it has to be admitted that Basle was a somewhat quieter place at the time.

Flying the flag

Just over a year since independence and things at Vanuatu are going swimmingly. Hardly much better known as the New Hebrides islands, Vanuatu has just joined Liberia and Panama as a flag of convenience carrier, and next week takes its seat as the 155th member of the United Nations.

The first move, it is hoped, will bolster GNP for the countries 120,000 population. The second is an attempt to cure their chronic national schizophrenia.

Though only the Brahman Express, a 500 ton cattle carrier plying between Australia and Malaysia, so far flies the Vanuatu flag, hopes are high that the country will have at least 1m tons of shipping in the next three years.

The speed with which the flag of convenience was hoisted is largely due to the work of Peter Leversedge, a retired New Zealand bank manager.

As head of the Investors Trust in Port Vila, the country's capital, Leversedge persuaded the Government to join him in a joint venture whereby his company acts as sole government agent, pays the expenses and splits the profit. Vanuatu Maritime Services Inc. is now open for business in New York's Broadway, and hopes to pinch business from Liberia which has recently sharply raised its tonnage tax.

True to forms

In compensation, perhaps, for the agonies of having to draft his Government's latest austerity budget for 1982, Chancellor Helmut Schmidt has finally bought the Henry Moore sculpture, Two Large Forms, that dominates the central yard of the West German Chancellery.

At DM 545,000 (or around £122,000) some of his more philistine taxpayers may doubt it is a bargain. But Schmidt, who wears culture on his sleeve bronze since its delivery on medals on their chests, has long been fond of musing on the vast brinze since it delivery on permanent loan in 1979.

Shortly after its arrival, Schmidt attempted to use the sculpture to deflect Mrs Thatcher, who was visiting the Chancellery during her long wrangle over Britain's EEC budget contributions. Strayint from his prepared text, he gazed from the window and, seeing the Moore, began a solemn discourse on the ancient cultural links between the two countries.

Mrs T, my colleague in Bonn remembers, displayed all the cultural sentiments of a bull terrier. Indeed, she said, there was also a Moore close to the House of Commons—a much smaller one though, and coincidentally the comparison almost perfectly reflected the relative sizes of German and UK GNP.

"And while we're on the subject of money. . ."

Fringe benefits

Rattled, Razzled and richer to the tune of £1m or so in box office takings, Edinburgh this week furls up its skirts against the winter winds and goes back to sleep in front of the telly until next year's Festival.

While no monstrous new talent seems to have surfaced from the depths of the Fringe this year, some 750 plays, revues, exhibitions and concerts kept the crowds happy in the balmy nights of meteorologically the driest festival ever, while back in the mainstream, Tom Stoppard's The Razzle and the Philharmonia's performance of Mahler's Second under Simon Rattle were among the highspots of the Festival proper.

John Drummond concludes his second Festival since taking over from Peter Diamand with ticket sales estimated at around £660,000, while the Fringe continues to close the financial gap —Michael Dale, who takes over as Fringe administrator from Alistair Moffat bows out this year, reckons takings at around £400,000.

One concern for next year is whether commercial sponsorship will compensate for trimming of arts grants by hard-pressed local authorities. An encouraging sign is a £20,000 award from Tennant-Caledonian which, together with support from the Scottish Arts Council, will fund a specially-commissioned play for 1982 to be performed by the recently-formed Scottish Theatre Company.

Observer

FINANCIAL TIMES SURVEY

Monday September 7 1981

Reinsurance

International reinsurance groups face intense competitive pressures which show no sign of easing. Against a background of high interest rates which encourage underwriters to lower premium rates, concern is growing worldwide about the underlying stability of this complex business.

Worrying about the theories

By John Moore

"THERE IS no sign of an end to senseless competition," observed the Lloyd's underwriter. "Obviously this cannot continue for ever and it is an open question as to whether its end will be brought about by a spectacular catastrophe or the collapse of some spurious reinsurance markets. The activities of new and unproved groups of reinsurers do much to promote the unwanted excess capacity today. . . . their activities are of no benefit to the insurance market, parts of which may well find they have built on sand when the day of reckoning comes."

This warning made last month reflects the concerns of many established insurance and reinsurance groups. For the past three years they have been advancing the doomsday theory at nearly every one of their conventions. In the restaurants and hotel lobbies of Monte Carlo when they meet again this week they will be advancing the theory but with some modifications.

Originally it had been argued that cowboy reinsurers were undercutting premium rates in order to establish a position within the reinsurance market. This competition had been described as amateurish and the capacity "innocent" and inexperienced in the art of reserving for catastrophic losses and larger series of claims.

If a reinsurance company failed, there could be serious consequences. Reinsurance — the business of insuring insurers — provides vital underpinning to the risk-carrying financial markets. Reinsurance can assume all or part of a risk undertaken originally by another insurer. This provides insurers with further capacity, allowing them to underwrite a larger amount of business than they could otherwise have underwritten.

It protects insurers against the accumulation of losses arising from a big individual loss or catastrophe such as a long series of individually manageable claims from a fire or a hurricane. The use of reinsurance spreads the financial burden on reserves attending the growth of premium income; and it generally reduces an insurer's net liability to amounts considered appropriate to the insurer's financial resources.

If another Hurricane Betsy blew into world reinsurance markets, argued the experts, producing a large series of claims it would wipe out some of the newcomers to the world reinsurance scene and put tremendous pressure on more established groups. That was the conventional wisdom.

True, at present world reinsurance is flooded with capacity —with too much available market for many types of insurance which has not grown at the same rate as the growth in markets. However, that new capacity has proved sophisticated in a number of respects. Even though certain companies may look under reserved they are backed by sturdy parent companies which can inject fresh capital. In the U.S. most of the reinsurance groups form part of other groups which have been attracted to the reinsurance business.

Non-insurance companies, say an industrial or an oil company, have found that reinsurance provides financial flexibility without requiring an elaborate or large marketing organisation. And, like Lloyd's underwriters, they can make their money work several times over, capitalising on investment income and, if possible, making an underwriting profit. Moreover, there have been no signs that with a deepening recession these newcomers are likely to withdraw. Their parents do not seem to mind providing fresh capital to their operations.

The operations of the newcomers have been supported by the continuing high level of interest rates. Even though their underwriting managements may lack experience dating back to the reserving problems caused by the catastrophe losses of the mid sixties, at least the investment returns on premiums have provided considerable cushioning for any errors of judgment.

With the number of participants growing in the world insurance and reinsurance markets so the pressure to establish a market share is becoming greater. Increased competition is fragmenting and atomising risks as each participant seeks a piece of the action. The exposures of reinsurers to any one large loss should become correspondingly progressively limited.

Those groups which have been backed by soundly based parents have shown rapid growth, while the smaller groups have shown a certain resilience.

But as risks have become more widely spread with a growth of the number of participants so international reinsurance programmes have become more complex in their structures. As brokers have scoured the world for commission earning premium so their powers of invention and industry for making a premium $ work many times over for their benefit have increased. Many insurance and reinsurance programmes are complicated not of necessity but out of a desire by brokers, underwriting agents and other intermediaries to generate more non-risk bearing revenues for their own accounts.

It is this trend which is providing whatever disruption there is in world reinsurance markets. In some reinsurance programmes it is often impossible to identify the layers of reinsurance, who is the ultimate risk carrier, who has acted as broker or agent, who has acted as principal. Cash transmissions in these chains have slowed markedly as each participant retains the money as long as possible to gain the benefit of investment income. As the underwriter, who quoted at the beginning of the survey said, "some of these people display a philosophy which seems to say that if the claim is large enough you do not pay it until finally cornered by the legal process."

Criticism is not merely levelled at the intermediary. There are equally dubious insurers operating. Reinsurance is a relatively unregulated activity. If it were to be regulated to any great extent the flexibility to arrange risks quickly in international markets would be lost. Some operators have exploited the freedoms of the international reinsurance market. Small independent under-capitalised companies have been created just for the purpose of exploiting the cash flow benefits created by reinsurance. When claims arise it is extremely difficult for the more responsible end of the market to recover its money.

Small under capitalised primary insurance groups which have heavily reinsured in overseas markets are severely strained if any one of its reinsurers resists claims. Cash flow problems can be created and already there have been a number of casualties in the last year.

While these situations do cause disruption in the international reinsurance market there has so far been nothing that has happened to cause a mass withdrawal of capacity. Hurricane Frederic, causing damage of $752m in the U.S., the highest hurricane catastrophe loss in money terms ever, has come and gone leaving the market virtually intact.

Some of the largest claims ever have been or are being settled: $300m of losses arose from the failure of cargo insulation systems of three liquefied natural gas carriers being built for El Paso Natural Gas at Avondale Shipyards in New Orleans; over $400m of computer leasing insurance claims have hit the London market; recession inspired fire losses have risen but have made little impact on world markets; ship losses have risen; aviation underwriters have had a tough time; and on top of all that liability claims are soaring in value. Underwriters are dealing with asbestosis claims, which are going through the courts and leading to large awards.

In the U.S. while the reinsurance departments of primary companies have had a hard time making profits they have not yet averaged the combined ratio — losses to premium earning — of 126.9 per cent scored in the aftermath of Hurricane Betsy.

It seems as if it will need a very big bang to cause any major contraction in capacity. The established reinsurers would certainly welcome some event which would cause a contraction in capacity, but are becoming resigned to the fact that any positive upturn in the reinsurance cycle will still be some way off and more short lived than most.

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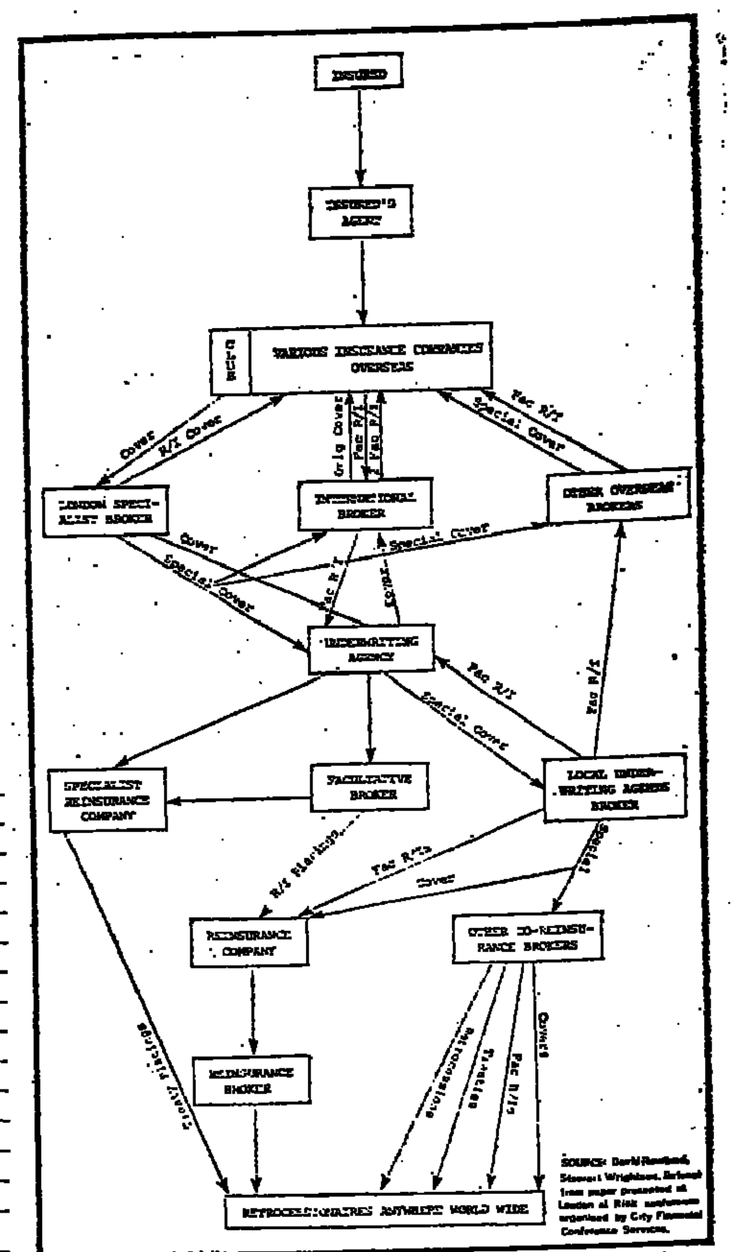

An example network showing the numerous parties which can be involved in the reinsurance of a portfolio of insurance business

Community in a state of flux

Brokers

JOHN MOORE

THE INTERNATIONAL insurance and reinsurance broking community is in a state of flux following the collapse of the merger talks this summer between Alexander and Alexander of the U.S. and Sedgwick Group, the UK's largest insurance broker.

After the announcement last December, following two years of exploratory talks about a pooling arrangement, which said that the two groups were planning to merge, the surprise news came that the two groups had decided to call the whole thing off.

Ironically it was the interest in Alexander and Alexander which led Sedgwick Forbes to merge with Bland Payne, making the combined group the UK's largest broker. Earlier this year, Mr Neil Mills, Sedgwick's chairman said: "We wanted to make ourselves bigger to form the relationship with Alexander and Alexander," which was considerably larger than the individual groups.

Both sides said that they would co-operate closely in the future through joint ventures and other means while maintaining their respective policies of non-exclusivity. At the time of the termination of the talks it was stressed that both sides had been defeated by "fundamental differences in the tax systems of the UK and the U.S." The problems only arose where companies of equal size planned a full merger. They did not arise in takeovers where one group of shareholders is bought out by another.

At the core of the problem was the different treatment of dividends. The UK has an imputation system, under which shareholders receive a credit towards their tax liability on dividends, which is then available to the company to offset part of its corporation tax. The principle is that the shareholders and the corporate entity are interlinked. In the U.S. there is no such link and the company and its shareholders are taxed independently.

Without a U.S. concession, the merged group would have to face an "unduly onerous level of additional taxation on the combined group and its shareholders," said both companies.

Inevitably speculation has been rife in the London market about which UK broker Alexander and Alexander might turn to form a permanent transatlantic link following the collapse of its talks. London publicly quoted brokers without a firm transatlantic association have seen their share prices jump on the renewed speculation.

Transatlantic link-ups are losing their charms. On paper they had many attractions. U.S. brokers liked the well developed international offices of many of the large Lloyd's brokers. Their own overseas networks are relatively undeveloped except in areas where they have made major acquisitions.

The U.S. brokers' own domestic market is one of the slowest growing insurance markets in the world — although there is still a large amount of non-broked premiums within its market. The large brokers had reached a size where growth was difficult to maintain and acquisition difficult to accomplish within its own market of companies of sufficient size and worth, without the groups running up against anti-trust laws.

The other important factor in the U.S. groups' international intentions has been their desire to gain an "in" to Lloyd's of London. In the early and mid seventies when capacity contracted sharply in the U.S. market, business volumes to London and Lloyd's increased damatically. The U.S. brokers saw how much money could be turned in London and at Lloyd's. Business can only be introduced at Lloyd's through the 260 or so approved brokers. Eight of those brokers effectively dominate the Lloyd's market through ownership or management of companies.

Lloyd's brokers split the commission with U.S. bokers whose business they placed with Lloyd's underwriters. The U.S. brokers were becoming increasingly annoyed at the passive role that the Lloyd's brokers were playing in this transaction although they take a share of the commission cake. Moreover, the U.S. brokers were impressed with the marketing possibilities that a close relationship with Lloyd's might bring.

For their part, the Lloyd's brokers wanted to draw themselves closer to their principal market—the U.S.—in an effort to retain important accounts at a time of increased competition and also build themselves up to a size where, like some of the leading accounting firms, they could handle the insurance needs of large multi-national companies.

The transatlantic dialogue began in earnest three years ago in a mood of optimism. But in spite of protestation by the likes of Marsh and McLennan, the U.S.'s largest broker, and C. T. Bowring of the UK that a pooling arrangement would be achieved, it soon became apparent that the complexities were enormous. Moreover, in a profession as highly individual and personal as broking, a clash of style was almost inevitable between the companies.

Equal partnership was unrealistic if there were likely to be future differences over management and policy. One company, particularly if one of the partners was larger than the other, would eventually have to emerge on top.

Marsh and McLennan took over C. T. Bowring after a vigorous takeover battle. The Marsh takeover was a lesson to equally aggressive predators. A personal business like broking, involving close contact with clients who are responsible for spending large amounts of premium each year, means that broking companies' best assets are their staff.

Personal aspirations in broking groups which employ thousands rather than a small team are often left unsatisfied. Bowring executives left in a steady stream either to set up their own companies or join smaller groups.

The new smaller companies formed by executives who have left other larger broking companies for the same reason as Bowring employees are becoming a threat to the long standing accounts held by their previous employees. While most are building up modest volumes of business, mostly reinsurance, non-marine surplus line business, they may build up their administrative systems to handle a significant volume of business from the clients with which they have been formerly associated.

Inevitably, the emergence of the new groups, while they are run by highly experienced managements, may have an adverse influence on London market placements.

The London reinsurance chain may become more complex particularly if the small broking company does not enjoy Lloyd's status. That small London broking company has to arrange its Lloyd's placings through an approved Lloyd's broker and so adds a further intermediary role to the business of reinsurance. But those groups which offer specialist services may provide a vital adjunct to the international reinsurance market. But the change of relationships among the large brokers has led to disruption and realignment of traditional client links. A more complex insurance and reinsurance chain has often evolved.

As the larger broking companies digest mergers and acquisitions they are likely to be aware of costs. Cost effective broking on the smaller accounts is likely to develop, with perhaps less innovation and development for clients' needs. It is here the small broker may find plenty of opportunity to exploit the more personal and specialised services which he may be able to offer.

UK–U.S. BROKING LINKS

C. E. HEATH
Main U.S. channel of business is Rollins Burdick Hunter, with which C. E. Heath has a number of joint companies. Otherwise there are no formal links.

HOGG ROBINSON
Through its partnership with Republic Steel of the U.S.—Republic Hogg Robinson—acquires Penn General Agencies and Bankers and Shippers Insurance Company of New York. It already owns 30 per cent of Markel Corporation, a small U.S. excess and surplus line broker.

ALEXANDER HOWDEN
Has formed a joint venture with Fred S. James of the U.S. to participate in the development of the New York Insurance Exchange. Fred S. James has bought a controlling interest in Wigham Poland, another UK-based broker. Howden has a number of U.S.-based insurance concerns within its own group.

MINET HOLDINGS
Corroon and Black of the U.S. holds a 20 per cent stake in Minet. Minet owns Bowes Holdings Incorporated, a specialist surplus lines broker.

SEDGWICK GROUP
Talks with Alevander and Alexander about a merger now off. Sedgwick has formed a reinsurance company in the U.S. with Alexander and Alexander—Thomas A. Green Incorporated. They say they plan more joint ventures. Sedgwick owns Southern Marine and Aviation Underwriters Incorporated, which provides specialist services to retail brokers.

STENHOUSE HOLDINGS
Continental Corporation of the U.S. holds a 20 per cent stake in Stenhouse. Stenhouse has a 54 per cent stake in Reed Stenhouse companies in Canada.

STEWART WRIGHTSON
Owns Stewart Smith, an excess and surplus lines broker and its main source of U.S. business. Has entered into a joint venture with Rollins Burdick Hunter to provide specialist brokerage services to financial institutions in the U.S.

WILLIS FABER
Has long established informal links with the privately owned Johnson and Higgins, one of the largest U.S. brokers. The pair plan more joint ventures and have formed a joint venture company to participate in the development of the New York Insurance Exchange.

C. T. BOWRING
Bought by Marsh and McLennan of the U.S., Leslie and Godwin. Taken over by Frank B. Hall of the U.S.

JOHN MOORE

New life companies receive much help from reinsurance sector

Life insurance—1

ERIC SHORT

THE PAST two decades in the UK have seen unit-linked life assurance grow from an abstract concept to a major sector in the life assurance industry and is now by far the fastest growing sector compared with traditional life and pensions. In the wake of this boom, new life companies have sprung up like mushrooms and established themselves in the UK life assuranee market. Much of the credit for their survival and financial health goes to the reinsurance companies operating in the UK.

For the reinsurance companies have given invaluable help to these new life companies in a variety of ways that came under three main headings.

The first area was the traditional field of reinsuring the death risk. Although linked life assurance is essentially an investment contract, the policies have to provide a certain level of guaranteed death cover in order to be marketed as life products. It is necessary for regular savings policies to have life cover in order to qualify for the tax relief given to the premiums and the tax concessions to the ultimate payments.

Thus these life companies, without large reserves, needed reinsurance facilities, far more than the established life companies. They kept their retentions low to minimise any mortality losses. But it went much further than this.

The outlook of the executives of these new companies was in the fields of marketing and investment. They were more than satisfied to leave the whole of the underwriting to their reinsurers. They had the necessary expertise and facilities to arrange and collect the medical evidence and underwrite the risk.

Having assisted these new companies on one aspect of administration, it was a natural consequence to offer a complete administration advisory service. Any new life company starting business in the UK can get complete guidance on all aspects right from the start from all the main reinsurance companies in the UK.

More overseas insurance groups are expressing interest in the UK life market with its freedoms of marketing and investment. But each country has its own legislation customs and so on. Any newcomer from overseas needs this high level expertise in order to avoid financially expensive mistakes.

Above all, these new companies need guidance on the control and financing of new life business. Unlike most products, each new life policy put on the books costs the life company money. The initial commission and expenses, plus the cost of death cover, can swallow up the first year's premium and sometimes the second year's as well. The profit comes after the initial years, break even being reached after three or four years, and a steady stream of profits coming thereafter.

If a life company writes too little new business, it will not be able to support its fixed overheads. But if it writes too much it uses up all its available capital before the business can repay the costs. For a new life company the rate of growth in the early years has to be very carefully controlled.

The reinsurance companies having a number of these new life companies in their clientele have acquired considerable expertise in the financing of new life business and this is an invaluable service to these new companies.

Finally, reinsurance companies can and do take much of the new business financial strain off these new life companies thereby enabling them to accept much higher amounts of new business. This avoids the need for raising fresh capital.

Some of the new life companies do not have big capital backing. Others with impressive overseas backing still find that their parent companies expect them to be financially self-supporting after the initial launch.

This works by the life company reassuring a substantial part of each new policy with a life reinsurer, say 50 per cent. In return the reinsurer pays the life company a substantial commission for the business. This commission goes to meet the majority of expenses of acquiring that policy, while the reinsurer incurs little expense of acquiring this business beyond paying the commission. The life company is reinsuring 50 per cent of the subsequent profits, but it is able to grow much faster and shorten the time before it can stand on its own for expansion.

Little optimism in an uncertain market

The U.S.

DAVID LASCELLES

UNITED STATES reinsurers continue to view their prospects with feelings that fall little short of despair. As in most other parts of the world, there has been little or no improvement in the market, with overcapacity so abundant that most contracts are being rolled over at premiums that are even lower than last year's, which were bad enough.

Nor is there any reason to feel cheerful over the outlook, particularly over the next 12 months or so. The only good news would be "bad" news, such as a major catastrophe entailing large losses, or the collapse of some of the less established reinsurers who are held to be the culprits for overcapacity. A sharp fall in U.S. interest rates would help as well.

"There continues to be a soft market, with no real indication that it's going to turn round," said Mr Richard Cole, president of Sten-re Cole the U.S. reinsurance division of Reed Stenhouse the international insurance broking firm.

With some premiums now a mere 20 per cent of what they were three or four years ago, many observers have been surprised that the business can keep operating. But in the U.S. most underwriters have been forced to accept business on whatever terms are offered to them in order to maintain a certain cash flow.

Mr Steven Newman, the senior reinsurance officer at American International Group, a leading underwriter, said: "I see a few isolated reinsurers who are tightening up. But most of them are doing things that would have been unimaginable a few years ago. They are accepting lower prices, paying higher commissions, and asking fewer questions."

Even so, the industry has shown surprisingly few signs of strain. According to figures produced by General Reinsurance Co., the largest independent reinsurance company in the U.S., net income in the first six months of this year for the universe of companies it follows actually increased from [illegible]m to $84m.

This was partly because the combined loss and expense ratio changed little from last year, and is still below 100. Loss experience has not been severe, and companies have been tightening up on costs for all they are worth. Remembering the horrors of the most recent big downturn in the insurance business, companies are also better reserved.

But the major reason undoubtedly has a lot to do with the continued high level of U.S. interest rates which has enabled underwriters to sustain profits from investments at a sufficient level to offset the drain on operating resources.

Most money market instruments have been yielding 17 per cent or more for much of this year. Even top quality government and corporate bonds have offered a return of at least 14 per cent. These represent record levels, and are most attractive at a time when economists maintain that the underlying rate of inflation is less than 8 per cent.

The high interest rates have two causes. These are the persistently tight monetary policy being pursued by the Federal Reserve Board and the deep-rooted apprehension among the U.S. investing public about the inflationary outlook. And neither of these seem set to change in any fundamental way in the months ahead.

The Fed has made it clear that it intends to see its policy through to the bitter end, and so long as the Reagan Administration continues to give this policy its political backing there seems little reason to believe that it will ease up. The Fed is convinced that the U.S. economy is strong enough to take this powerful medicine.

Strictly, the Fed's determination should inspire confidence in Wall Street. But it has so far failed to do so, mainly because past efforts to contain inflation by monetary means have not been successful. In so far as the insurance industry is concerned, therefore, the bane—or blessing depending on how you look at it—of high interest rates is not likely to evaporate at an early date. Nor has the insurance market suffered its long-awaited shake-out.

Some expectations were aroused by the recent spate of hotel disasters in the U.S. among them several damaging fires entailing large loss of life, and the tragedy in Kansas City where part of a hotel structure collapsed on a crowded dance floor. But if these are to put pressure on the market, it has yet to happen. Some brokers believe they may pave the way to higher premiums when present contracts come up for renewal, but that is still speculation.

Looked at from the other side of the mirror, of course, the low premiums are a boon to anyone buying insurance. "If I were in business and needed insurance I would go out and buy every bit of it I could right now," said Mr Louis W. Biegler, a leading Chicago broker. "I have seen premiums being written at 80 per cent below earlier levels."

Mr Cole at Sten-Re also finds he has been able to do some good deals for his clients. He said: "We get some static from Lloyd's of London about the terms, but we always manage to place our business in the end."

The tough conditions in the market have not, however, prevented New York's fledgling insurance exchange from establishing itself. Although it is still small by Lloyd's standards, it is doing better than many people expected, and seems to be serving a genuine need, particularly for facultative reinsurance.

Mr Donald Reutershan, the president, expected the exchange, now nearly 18 months old, to write about $60-80m-worth of business this year. But by the end of July it had already totted up $74.4m, including what he described as an encouraging trickle of direct business from overseas. "I'd say we wer doing splendidly," he said. "Our members plainly want us to be a success. Brokers are also finding us useful. We are a convenient place to do business." Mr Reutershan now hopes the exchange will top $100m-worth of business this year. The exchange has 24 underwriting syndicates, and 53 brokers.

The U.S.'s other insurance exchanges have been slower to advance, however. The Chicago exchange, which was originally to have opened its doors this autumn, has had to postpone its plans because of uncertainties about the outlook. Its sponsors now hope to get going early in the new year.

The insurance exchange of the Americas, planned for Miami in Florida, is aiming to be in business by the latter part of 1982, and everything is reportedly moving according to plan. The exchange will be administered by Mr Alan Teale, an Englishman formerly associated with Lloyd's of London.

Both exchanges would obviously benefit from an upturn in the reinsurance market, their fate may well depend on it.

PROFESSIONAL REINSURANCE COMPANIES—U.S. 1975-1979

(Summary of underwriting results)

	NET PREMIUMS WRITTEN ($000)					Increase or decrease		COMBINED RATIOS						
	1975	1976	1977	1978	1979	% 1978-79	% 1975-79	1975	1976	1977	1978	1979	5-year Average 1975-79	Profit %
Aetna Re	—	—	—	28,779	32,463	12.8	—	—	—	—	98.5	99.1	98.8	1.2
American Centennial	16,002	33,166	41,025	55,861	62,140	11.3	288.3	63.3	60.0	68.4	72.3	74.1	67.6	32.4
American Mutual Re	10,096	13,523	15,605	15,694	12,213	−22.2	21.0	184.1	127.1	128.2	123.1	122.4	135.8	−35.8
American Re	263,727	313,725	338,150	355,936	371,352	4.3	40.8	113.6	103.8	99.8	99.4	105.8	104.0	− 4.0
American Union	21,125	26,334	31,553	33,729	36,896	9.4	74.7	104.9	98.2	97.4	98.5	99.6	99.4	0.6
Bellefonte Ins.	76,209	111,990	163,193	207,423	95,254	−54.1	25.0	113.2	111.4	106.8	112.0	115.8	111.2	−11.2
Buffalo Re	27,344	29,962	31,195	63,297	69,868	10.4	155.5	106.8	110.8	101.3	96.9	99.2	101.2	− 1.2
Christiania/Switzerland Grp.	17,250	21,171	26,384	29,668	33,935	14.4	96.7	105.8	97.1	98.1	96.2	102.6	100.4	− 0.4
Constellation Re	—	—	32,009	58,976	57,377	− 2.7	—	—	—	107.6	100.5	99.7	100.6	− 0.6
Constitution	42,503	55,021	71,746	87,734	85,903	− 2.1	102.1	105.9	98.7	98.5	98.6	99.9	99.8	0.2
Continental Re	—	—	—	78,522	63,093	−19.6	—	—	—	—	95.7	100.4	98.1	1.9
Employers Re	198,316	248,307	312,986	360,811	364,890	1.1	84.0	108.9	101.9	100.8	100.4	102.8	102.5	− 2.5
Excess and Treaty	—	—	7,820	11,655	16,906	45.1	—	—	—	—	94.9	106.0	100.5	− 0.5
Federated Re	12,588	16,032	20,490	25,187	21,129	−16.1	67.9	104.5	92.2	98.6	102.3	113.0	102.6	− 2.6
General Re	428,784	522,238	565,669	641,892	618,748	− 3.6	44.3	106.5	99.6	97.3	97.0	98.8	99.4	0.6
General Security	7,163	9,874	13,089	15,117	14,554	− 3.7	103.2	104.5	101.0	98.2	99.5	103.0	100.9	− 0.9
Gerling Global	10,402	21,702	30,053	38,510	47,189	9.6	305.6	109.3	98.8	99.6	100.9	108.7	103.4	− 3.4
INA Re	205,277	249,718	239,367	228,489	245,989	7.7	19.8	106.3	101.7	104.0	99.7	102.4	102.8	− 2.8
Kemper Re	63,858	78,723	97,046	107,433	114,519	6.6	79.3	105.3	99.9	99.8	99.7	99.6	100.5	− 0.5
Mercantile and General Re	3,005	4,535	9,505	16,216	22,518	38.9	649.4	106.6	91.3	90.9	99.7	109.7	102.2	− 2.2
Metropolitan Re	—	—	—	2,252	20,142	794.4	—	—	—	—	116.6	116.8	116.7	−16.7
Mony Re	2,304	35,372	47,974	56,925	56,682	− 0.4	2,360.2	100.1	95.5	95.7	98.2	101.3	98.3	1.7
Munich Re/Munich Am. Re	46,481	83,484	141,302	142,324	165,904	16.6	256.9	104.0	103.5	95.3	96.6	103.6	99.6	0.4
National Re	81,115	104,266	150,382	170,558	184,679	8.3	127.7	103.9	98.6	97.3	97.1	99.3	98.8	1.8
New England Re	15,671	20,155	32,673	42,879	41,860	− 2.4	167.1	100.5	92.1	101.3	99.1	100.6	99.1	0.9
Nordic Union Re	—	—	—	—	15,413	—	—	—	—	—	—	104.1	104.1	− 4.1
No. Amer./Swiss Re	210,492	267,962	291,295	329,663	388,338	17.8	84.5	126.1	105.9	99.5	99.6	105.9	106.1	− 6.1
North Star	13,508	26,350	42,331	32,925	34,263	4.1	153.7	90.9	92.7	98.0	108.8	98.9	99.5	0.5
Northeastern	35,179	43,285	50,690	56,623	56,133	− 0.9	59.6	104.2	96.2	94.6	95.6	97.4	97.1	2.9
Philadelphia Re	12,167	16,332	27,026	35,971	48,785	35.6	301.0	106.5	103.2	97.5	99.7	103.9	101.8	− 1.8
Prudential Re	117,370	178,731	230,905	307,661	303,234	− 1.4	158.4	104.6	98.7	99.5	99.7	98.9	99.6	0.4
Reinsurance Corp.	44,530	51,344	56,929	59,797	60,973	2.0	36.9	114.7	104.7	104.7	99.7	111.4	106.7	− 6.7
Republic-Vanguard Re	70,056	36,952	80,983	116,256	130,494	12.3	86.3	104.3	86.4	97.3	99.7	100.2	98.5	1.5
Rochdale	9,092	10,131	11,919	14,062	14,026	− 0.3	54.3	106.7	103.5	98.0	98.6	99.1	100.6	− 0.6
Scor Re	6,486	1,444	11,925	19,020	37,244	95.8	474.2	111.5	90.7	90.0	99.6	102.5	98.5	1.5
Signet Re	3,133	9,190	9,548	10,825	11,655	7.7	272.0	76.1	97.5	97.0	94.8	96.9	95.9	4.1
Skandia Group	68,521	104,416	130,751	141,949	172,466	21.5	151.7	99.7	98.7	98.6	99.6	100.6	99.4	0.6
Transatlantic	—	—	—	98,320	118,829	20.9	—	—	—	—	98.9	103.5	101.2	− 1.2
Unity Fire	10,423	14,646	19,122	22,739	21,897	− 3.7	110.1	105.0	97.2	100.4	99.1	101.3	100.3	− 0.3
Universal Re	15,947	23,025	29,316	30,259	31,530	4.2	97.7	100.0	98.3	97.3	96.6	98.2	97.8	2.2
Other Reinsurers	154,929	120,681	226,688	170,238	311,254	—	—	—	—	—	—	—	—	—
TOTAL	2,321,053	2,903,787	3,630,824	4,322,175	4,607,737	6.6	98.5	109.9	101.2	99.7	99.5	103.0	102.7	− 2.7

Source: American Independent Reinsurance Co.

PRIMARY COMPANIES WITH PROFESSIONAL REINSURANCE DEPARTMENTS—U.S.

NET PREMIUMS WRITTEN Year	$		UNDERWRITING EXPERIENCE Losses incurred %	Expenses incurred %	Combined ratio %	Profit %
75	1,102,211,000		78.14	25.57	103.71	−3.71
76	1,383,806,000		75.24	24.34	99.58	0.42
77	1,720,063,000		70.16	27.85	98.01	1.99
78	1,955,241,000		76.96	27.34	104.30	−4.30
79	1,725,443,000		83.46	26.34	109.80	−9.80
Percentage of increase:		Five-year average 1975-79	76.86	26.46	103.32	−3.32
78-79	−11.8%					
75-79	56.5%					

Source: American Independent Reinsurance Company.

TOTAL AMERICAN REINSURANCE

(Summary of estimated net premiums)

Year	Professional reinsurers Net premiums $	% of total	Primary companies with professional reinsurance departments Net premiums $	% of total	Unlicensed foreign reinsurers Net premiums $	% of total	Total American reinsurance Total net premiums $
1964	544,000,000	38.4	371,000,000	26.3	499,000,000	35.3	1,414,000,000
1969	841,000,000	41.2	498,000,000	24.5	700,000,000	34.3	2,039,000,000
1974	1,845,000,000	48.6	938,000,000	24.7	1,014,000,000	26.7	3,797,000,000
1979	4,608,000,000	53.0	1,725,000,000	19.9	2,356,000,000	27.1	8,689,000,000
64-79 % increase volume	741.7%		365.0%		372.1%		514.5%

Source: American Independent Reinsurance Company.

Instability a spur to development

THE IRANIAN revolution and the outbreak of the Iran-Iraq war have speeded up developments in the Middle East reinsurance business. Local companies and states have long looked at ways of retaining some of the $3bn of reinsurance premiums which leave the Arab world every year and the increased instability in the Gulf has simply given a further impetus to this movement.

Initial fears provoked by the outbreak of the war between Iran and Iraq last year have now somewhat dissipated. The conflict is largely confined to fierce skirmishing on the ground and air attacks on shipping and ports have only been intermittent. The vital Strait of Hormuz at the mouth of the Gulf has not come under attack from either side as had been feared.

But shipping moving into the Gulf above 24 degrees North latitude still face a surcharge which will remain until some time after the war has ended. Over the next 10 years or longer there will always be the possibility of a renewed conflict in the Gulf. The 63 vessels still trapped in the Shatt al Arab waterway, and together worth over $250m, are witness to the problems which a local war can inflict.

There is little chance of these ships being released. Even if a truce was arranged the narrow, twisting channel to the sea has silted up and the way is impeded by wrecks. The Hellenic Mutual War Risks Association has already paid out $36m on 10 vessels of which $29.5m comes from Lloyd's of London through reinsurance. Some underwriters and London company insurers are worried, however, that they may not have adequate reinsurance protections.

The actual outbreak of war silenced much of the anger in the region which followed Lloyd's decision to impose surcharges on the premiums of vessels entering the Gulf. The response of local states was to set up the Arab War Risk

Middle East

PATRICK COCKBURN

Syndicate (AWRIS) in 1980 which started operating in January this year. It consists of more than 30 insurance companies which insure general cargo and tankers from the Gulf region as well as offshore oil installations.

Managed by the Iraq Reinsurance Company and based in Baghdad, AWRIS is confident that it is getting the best buy in reinsurance and the syndicate's gross premium income this year should be $10-$12m. Much of this will be placed in the UK with the remainder going to France and the U.S. Eventually the company hopes that two-thirds of regional cover will be channelled through AWRIS.

The prime advantage of the syndicate is that it enables the consumer to have the advantage of buying wholesale. It should continue to be able to obtain favourable rates from the reinsurance market in London or New York.

The smooth operation of AWRIS is a long way from the calls for a boycott of the Lloyd's market which were made when the surcharges were originally imposed. Fears of the Strait of Hormuz being blocked have largely dissipated, indeed the near panic of last year has been sometimes replaced by over-optimism over the political future of the region.

It is still too early to see how the Arab Insurance Group (ARIG), based in Bahrain, will develop since it only started operating from July 1 and will initially be very cautious. In its first 18 months ARIG will look for a premium income of some $25-$50m.

ARIG was set up as a $3bn joint venture by Libya, United Arab Emirates and Kuwait, while Qatar is still on the sidelines. The $3bn figure immediately attracted publicity when the group was set up in 1980 but in fact only $150m is paid up and the rest is to be considered as underwritten or subscribed by the participating countries.

Technical and administrative staff are still being recruited and it will take time for ARIG to develop. The ownership by three major oil producers and Opec members should ease ARIG's path in getting business within the region and in countries benefiting from Opec aid.

ARIG does not intend to get involved with war risk business, but it is not clear how far it is likely to coordinate overall underwriting policy with AWRIS. So far the two organisations are not in formal contact.

Local insurance companies around the Gulf still only retain about 3 per cent of risks and retention of reinsurance business will be a slow affair. The establishment of ARIG and AWRIS only marginally changes this situation even when combined with the existence of well established companies such as the Iraq Reinsurance Company in Baghdad, the Arab Reinsurance Company in Beirut and the Arab Union Reinsurance Company in Damascus.

The difficulty faced by such companies in the Arab world is the same as that faced in London. This is the increased instability across the whole of the Middle East and not just in the Gulf.

TYPICAL INSURANCE PREMIUM INCOME IN AN ARAB COUNTRY

	%
Marine Cargo	50.74
Marine Hull	4.47
Aviation	1.31
Contractors (Engineering)	15.25
Motor	14.12
Fire	11.62
Householder Comprehensive	0.11
T.P.L.	0.14
Personal accident	0.25
Miscellaneous	1.89
Total	100

Source: National Insurance Co, Baghdad

Highly popula[r] tax policy

IT MUST be a reasonable bet that this year finance, principally insurance, will match or overtake tourism as Bermuda's chief source of external income.

Last year, tourism contributed 55 per cent of the island's total foreign exchange earnings but events this spring may have changed the complexion of Bermuda's foreign exchange. The strike of Government and hospital workers which brought the hotels' staffs out in sympathy closed the tourist business effectively for four weeks and the rich visitors left in droves.

All the time, however, the importance of financial earnings has been growing. It was calculated last year that some 960 foreign insurance companies were registered on the island, but the latest estimate is that the total has grown to well over 1,000 companies. It means, in effect, that Bermuda has an insurance operation for every 57 of its inhabitants.

And it does not seem at all likely that, after a very much closer than usual General Election at the end of last year, the Opposition Progress Labour Party would have contemplated taking steps to check this growth if it had assumed power. That, at least, was the pledge made by PLP during the campaign although it was narrowly beaten by the incumbent United Bermuda Party.

A kindly tax regime on the island has, inevitably, drawn the insurers to Bermuda. Their numbers and capacity have expanded so quickly that it seems at least possible that Bermuda's premium income matches that of Lloyd's of London. In very round terms, the local guesses run, total premium income is somewhere in the range of minimum of $4,000m and perhaps a ceiling of $7bn. Big numbers indeed.

Provided the companies conduct their business entirely off the island's shores, they are exempt from any local ownership and tax requirement.

The only tax levied by the Bermudian authorities on exempted insurance companies is the annual licence fee of BD$ 2,250 and annual registration costs are BD$ 1,500 after a first time registration of BD$ 2,000.

And as accountant[s] ... and Lybrand point ... latest International ... Industry Guide, the ... Government can give ... ance to the exempte[d] ... that, in the event of ... ment of a tax or a d... on profits or incom... capital assets, gains o... tions, the exempted i... be free from such ta... Moreover, a simil... tion may be i... such as estate duty ... ance tax, which would

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RAY MAUGH[AN]

be payable on th... debentures or other ... of exempted compan[ies] ... residents.

The period for ... assurance can be ... recently been ext... March 28, 2006.

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The idea that, ... company might run ... surance offshoot to ... use of its tax dedu... miums and run th... from Bermuda whe... incentives are a... paralleled, has bee[n] ... catch on.

The U.S. Inlan[d] ... Service, however, ha[s] ... that the arrangemen[t] ... become too cosy. ... miums against ta... ensure that settle... claim was not taxe[d] ... dend to the parent, ... tives have had to sh... transfer of risk ... customer to the i... the only way to d... go out and find ... genuine third pa...

Poor returns on foreign business

EAGER SUITORS for Japanese reinsurance business should be prepared to cool their heels for a while. After last year's poor returns from foreign business assumed by Japanese insurers, the cautious and conservative Japanese are in no mood for quick matches.

The gross premium from abroad reinsured in Japan rose from around Y280bn in fiscal 1979 to a provisional Y315bn in fiscal 1980. The balance after claims and commissions was a paltry Y7bn compared to the Y29bn the year before. When all the claims are accounted for results could be even worse. The returns on foreign business have been shrinking steadily since 1976 even though the gross premium has more than doubled.

Tokio Marine and Fire Insurance Company has the lion's share of international reinsurance. Akira Ogata, general manager of the company's international reinsurance department says: "During the past year many Japanese insurance companies suffered sizable losses through international reinsurance because of the deterioration in quality of international business due to cut-throat competition."

The "cash flow underwriting" practised abroad is the problem, OGATA says adding that high interest rates and the tendency to subsidise underwriting losses through investment income will eventually misfire and rates will have to rise.

Nevertheless Japanese insurers see most future growth in this market. They believe

Japan

JULIA ELCOCK

the outstanding security of Japanese companies will make their market the most attractive in the world.

Foreigners last year continued to profit from Japanese reinsurance ceded abroad. Gross premiums rose to a provisional Y180bn in fiscal 1980 from Y164bn in 1979. The balance was Y47bn up from the previous year.

Competition is stiff among foreign reinsurance companies for business. There are also the visiting brokers. "Twice a year you can't move here for London brokers knocking on doors," says one insurance broker. American brokers and companies are gaining importance and some Japanese companies are loking for direct contacts overseas.

Loyalty is an asset of the Japanese market and foreign brokers value it. But some Japanese insurers feel it has not always been reciprocated. While the brokers received good business, the reverse was not always true. The broker was blamed for losses although it wasn't always his fault, as one foreign reinsurer points out.

"The Japanese didn't know the right questions to ask," he says. They are learning fast and the bigger companies have built up a lot of experience during the past five or six years."

The reinsurance market in Japan mirrors the order and homogeneity of the tariff regulated non-life insurance market. It also reflects its results. The slow down in industrial growth has made for slow insurance growth. Non-life insurers see no new major areas to cultivate and are now encouraging householders to buy more non-life insurance. Reinsurers will not gain from this market and growth in premiums ceded abroad is expected to be slow.

Recently some tariffs in non-life insurance were reduced because of high profits, and lower rates combined with tighter margins and growing administration expenses will affect the value of reinsurance ceded in the future.

Japanese insurers are also keeping more of the profitable business for themselves, say foreign brokers. Like other Japanese industries domestic companies co-operate to keep the home market healthy. They reinsure with the 20 non-life insurance companies or with Japan's only professional reinsurance company Toa Re.

Big risks such as earthquakes force them to look abroad. Reinsurance for householders is handled under a government scheme but industrial reinsurance is a major part of all reinsurance ceded abroad.

Firms like Tokio Marine and Fire are also building up international business. Mr Ogata says: "In our case the annual premium for reinsurance and insurance from overseas countries occupies 18 per cent of our total profit. It used to be 5 per cent. Last year we wrote about $300m abroad in reinsurance and a further $200m in direct underwriting."

Brokers say the Japanese are already aggressive internationally. Their profits allow them to offer extremely low rates for business they want.

As Japanese industry has gone abroad the non-life companies have followed and had demands for new kinds of insurance and reinsurance—political risks or plant construction insurance for example.

Methods of reinsurance may also be changing. While one foreign reinsurance expert believes Japanese insurers will want more reciprocity, some Japanese disagree. The larger companies no longer want to grow, they say. Instead the future will show a trend to more non-proportional instead of proportional reinsurance—especially excess of loss—to lighten paper work.

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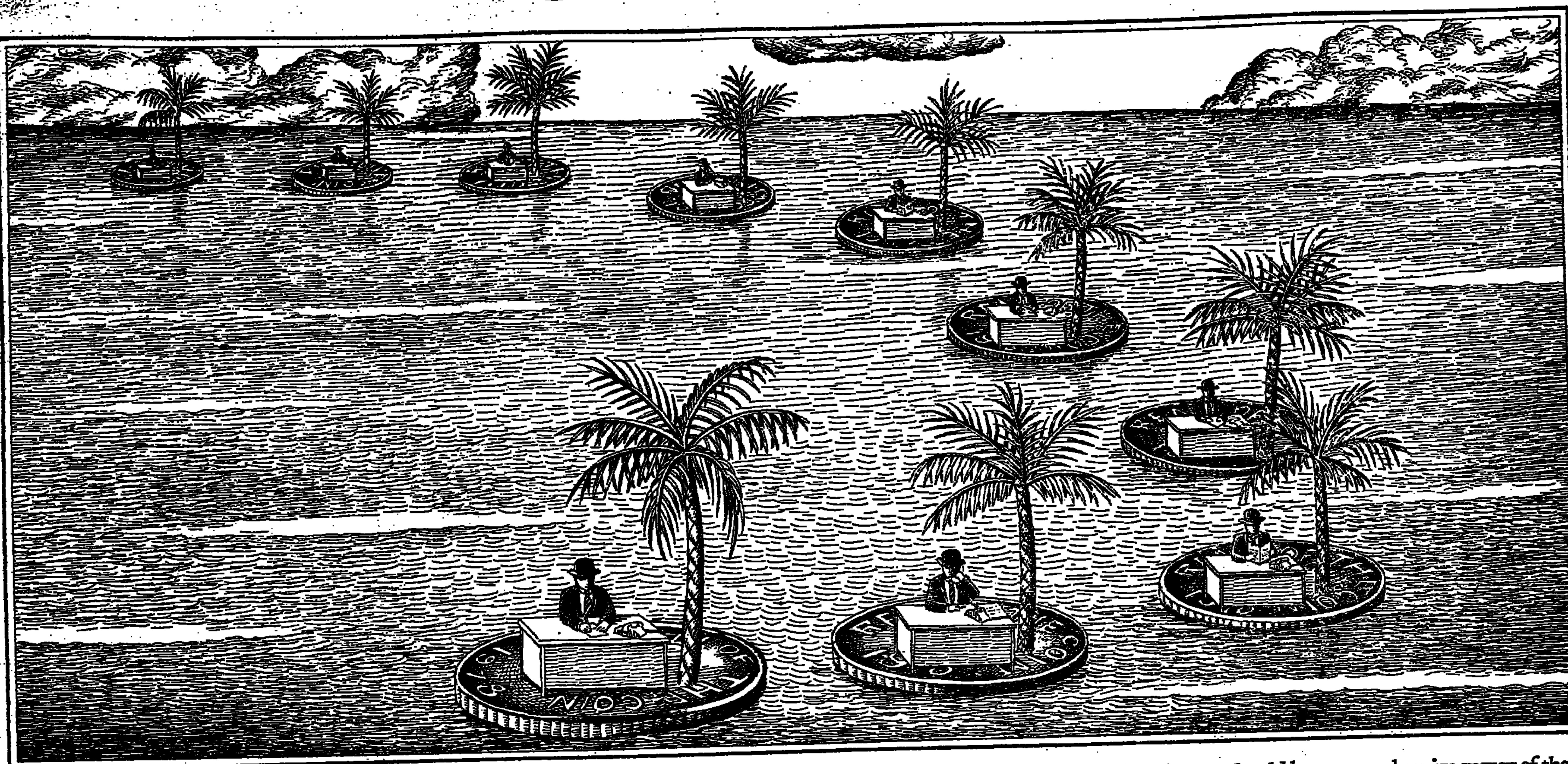
The Widening World of Captive Insurers



Simplified placement of insurance, cost benefits, and the availability of professional management services are all factors behind the continuing growth of captive insurance companies.

A brief review by INA of an insurance topic of interest to business executives.

For a growing number of companies, the insurance subsidiary or "captive" is an idea whose time has arrived.

There are now at least 1,000 captives, both individually and group owned, operating worldwide. Over ninety of them have been formed in the last year alone. Moreover, with costs continuing to escalate for full risk protection through conventional policy coverage, captives are expanding both the volume and scope of their underwriting activities. Coverages currently provided by captives, in addition to difficult-to-place lines like medical malpractice and product liability, include property, business interruption, comprehensive liability, automobile, workers' compensation, pollution insurance, and employee-related health and disability.

Most captives were originally formed to write insurance for the parent company or group only, but as they grew in experience (and in capital surplus) some began to accept risks from unrelated outside companies. This makes the captive more of a full-fledged insurance company, which may have important tax consequences for the sponsoring company.

At one time, a captive was considered feasible only for the very large company or trade association, and the capital outlay required may still rule out a wholly-owned captive for many companies. But many captives are now being formed by groups and by medium-sized firms.

The Bermuda angle

Many captives today—about 700 of them—are based in Bermuda. American multinational companies that do not restrict their captives to doing business with the parent company find Bermuda particularly advantageous, since income derived from overseas insurance operations is not taxable until the funds are repatriated.

With the advent of the captives, Bermuda has become a world insurance center, handling as much as two billion dollars in premiums each year. As much as $500 million is outside business not related to the captives' sponsors.

What has led companies to establish captives? Essentially, a captive represented an extension of the self-insurance trend. In part, this was a reaction to situations in which commercial coverages for certain risks had become either unavailable or prohibitively expensive.

Lower expense ratios

Today, however, with commercial insurance less restricted, the motives are largely financial.

When insurance is placed directly with the captive, a company may be able to realize a savings of the commercial insurer's overall administrative costs. On the other side of the ledger is the cost of executive time devoted to a captive, as well as any fees for its management.

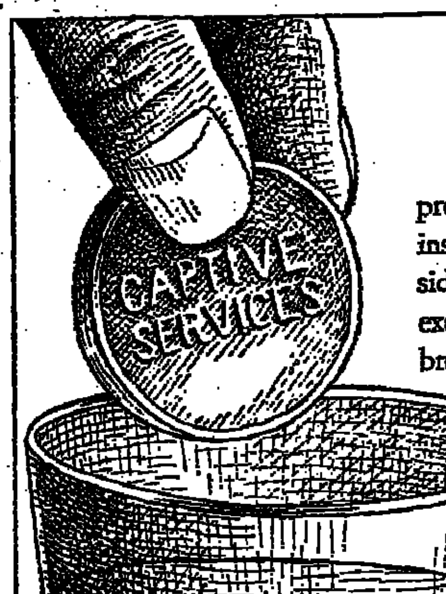
In addition, retention of premium reserves by the captive instead of an insurance company can have important cash flow advantages for the parent company. And the fact that a captive can reinsure a large part of its risks can mitigate against the disastrous loss—at reinsurance rates that can be lower than those for primary insurance.

Backing and fronting

Reinsurance, in fact, can play a key role in the affairs of a captive, since many parent company risks are too large for a captive to handle without the backing of another insurer.

In one arrangement, the parent company pays premiums directly to the captive for primary insurance, but a large amount—say 80%—of the risk is immediately transferred to a reinsurance company. Or, in another arrangement called "fronting," the parent pays all premiums to a primary insurer, which then cedes perhaps 50% of the risk to the captive as the reinsurer. In some cases the captive handles part of both the primary and reinsurance coverages. All of these arrangements involve some major tax considerations.

A decision about setting up a captive can be difficult. The first step should be a comprehensive survey of the company's risk exposures and insurance coverages, together with all other relevant factors such as cash flow and financing considerations. If the study suggests that a captive is advisable, insurance brokers and some insurance companies—including INA—can be instrumental in its creation and management.



A painless way to acquire insurance experience

To most company executives, the prospect of sudden immersion in the insurance business via an insurance subsidiary is not an enticing one. For those executives, some insurance companies and brokers have a solution: working with the risk manager, they can provide all the management services needed by a captive – including underwriting, financial management, loss control and claims handling.

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Reforms will bring stronger self-regulation

MAJOR CHANGES are under way at Lloyd's of London as one of the world's most important reinsurance communities seeks to improve its methods of self-regulation. An extensive programme of reforming legislation is before Parliament and should become law next year. Once enacted the new legislation will lead to further changes in the way the market functions.

Essentially, the new legislation will create a new ruling council, with representatives from both the working and non-working memberships of Lloyd's. In addition there will be three outsiders on the council who will be unconnected with Lloyd's. There will also be a new disciplinary framework for dealing with problems within the Lloyd's market.

Lloyd's new Act of Parliament will also require that Lloyd's insurance brokers should divest themselves of their shareholding links with managing agency companies, the groups which manage Lloyd's underwriting syndicates.

The reforms, the first major changes in Lloyd's system in over 100 years, are a direct response to the growing number of scandals, business disputes and other troubles which have broken out in the market in the last few years. Lloyd's has been unable to deal effectively with the problems because few of its powers of self regulation have been adequately backed by law. The word of the ruling Lloyd's committee could be challenged or ignored.

The market had begun to display signs of disorder. In highly competitive conditions brokers and underwriters were sometimes neglecting traditional commercial prudence and were occasionally circumventing acepted market procedures in order to secure business.

The 16,000 or so non-working members of Lloyd's, who provide its capital base, were becoming restive. They were concerned that their committed capital might be put at risk in an unacceptable and untoward fashion. While they were prepared to pay up on valid insurance claims, they were becoming less willing to pay up on a series of claims which may have arisen because of a breach in Lloyd's accepted procedures and inadequate policing of the Lloyd's market. It was this underlying tension which was at the heart of the controversial Sasse affair.

Moreover, Lloyd's needed to demonstrate to increasingly concerned insurance regulatory authorities in overseas markets that it could supervise its own affairs. About two-thirds of the market's premium of £2.16bn is accounted for by reinsurance. Around half its premiums are produced by the U.S. market.

Already a number of changes have been implemented which have been designed to improve Lloyd's system.

Binding authorities, the devices whereby outsiders who do not work in the *Lloyd's* market can produce insurance business on underwriters' behalf, must now be registered at Lloyd's. It was the use of one of these binding authorities which led to the disastrous losses for the Sasse syndicate.

Binding authority business, largely reinsurance, contributes more than 15 per cent of the *total Lloyd's* premium and Lloyd's has no intention of curbing its use.

The registration of all binding authorities has been made the responsibiilty of the Lloyd's Policy Signing Office and the scheme has been in operation since October 1980. In the first six months of registration, 3,923 binding authority slips were *registered*.

All underwriters have been asked to ensure that the new rules are followed to make the scheme work. All underwriters must see that the binding authority has been registered before they write their lines. Brokers must report annually to underwriters on the binding authority user's handling of the *contract*.

A method of screening potential holders of the authorities — known as the tribunal — to protect underwriters against the authorities falling into the wrong hands has been extended on a world basis.

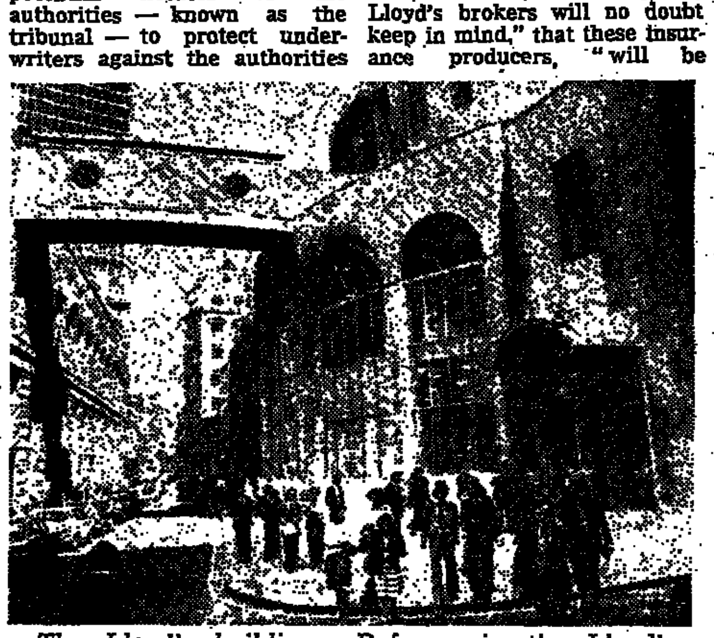
Aviation and marine markets, and those underwriters operating dual market business (ie business which may be written by either non-marine or marine underwriters) require tribunal approval for their holders of binding authorities. Previously, the tribunal system had only been operated in the non-marine market and largely for American producers.

Lloyd's

JOHN MOORE

The tribunal *system* does not apply to UK authority holders. "This decision was for reasons of geographical proximity," said the gudiance note for Lloyd's brokers, "and because the great majority" of UK insurance producers "trade as insurance brokers and will therefore be seeking registration under the Insurance Brokers (Registration) Act 1977 and will become subject to the disciplines of that Act."

The notes say that it is recognised that there are UK insurance producers for Lloyd's underwriters "who are not true insurance brokers." They state: "Whether these are insurance intermediaries who choose not to become registered or sub-agents of Lloyd's brokers in other professions (eg accountants, solicitors, travel agents) Lloyd's brokers will no doubt keep in mind," that these insurance producers, "will be scrutinised neither by the tribunal nor by the Insurance Brokers' Registration Council."



The Lloyd's building. Reforms in the Lloyd's system are a direct response to problems in the market

The exemption of UK holders from the tribunal screening device encouraged speculation in the market that perhaps a loophole existed. *It was argued* that overseas insurance producers with an established London office or a contact office may be able to avoid the tribunal procedure or any other UK insurance ruling if they have gained the co-operation of an underwriter or Lloyd's broker. So far no apparent problems have arisen during the *operation of the new system*.

As part of its review of its systems Lloyd's has taken a tough line on the slow payment of claims to insureds. The situation has been closely monitored by Lloyd's officials and the committee in an effort to speed up cash transfers.

Regular security checks have been introduced within the Lloyd's market to ensure that members still have the necessary means to support their underwriting. All members joining Lloyd's usually have to *show that they have private* means of £100,000 to support their underwriting. They are liable to the full extent of their wealth in the event of heavy insurance claims.

Reinsurance allowances, when calculating each member of Lloyd's premium income for premium limit purposes, have been reduced substantially and *further reductions are likely in* the future. The Lloyd's committee has considered this to be an essential step designed to ensure that syndicates do not "overtrade" through relying heavily on reinsurers to settle claims. With reinsurers outside the Lloyd's community more reluctant to settle claims, severe strains could be placed on individual underwriting syndicates who have sought large reinsurance protections.

The Lloyd's legislation has been amended to enable the new Lloyd's ruling council to deal with the issue of fraud. The council will have the power to create bye-laws which will allow it to investigate alleged frauds or crimes within its market, and to pass any documents to the authorities for further investigation.

But the most controversial development is "divestment." Lloyd's has been *forced* by Parliament to include a provision in its Bill requiring Lloyd's brokers to divest, or sell off, their equity links in managing agency companies within a period of five years from the Bill receiving the Royal Assent.

The brokers have opposed this move for a variety of reasons. *They* are *worried* about the adverse impact on revenues from the loss of these vital links; they are worried about the disruption of their relationships with underwriters and the adverse impact it might have on their marketing; and they are worried that the Lloyd's divestment issue may set a precedent requiring them eventually to divest themselves of their insurance company subsidiaries, and company underwriting agency interests.

This last fear should prove unfounded. Parliament was concerned that conflicts of interest which were likely to be enshrined in the Lloyd's structure, if it did not intervene, would undermine the wide powers of self regulation that *Lloyd's was* seeking. It decided to insist that Lloyd's should seek divestment of its brokers' links with its underwriting syndicates. There is less concern about brokers *owning* company underwriting agencies and insurance company subsidiaries because these are supervised under statute and are accountable to various recognised regulatory authorities.

Lloyd's is granted numerous freedoms to regulate its own affairs and Parliament decided to ensure that the efficiency of *Lloyd's future system of* government was not likely to be undermined by sectional interests.

The brokers will still have considerable links with the Lloyd's market. They will be able to introduce members to Lloyd's through their ownership of members' agencies. And the underwriters will wish to see traditional associations with the *brokers continue to* secure business in what will be a much more competitive Lloyd's market.

Competition growing in very difficult trading conditions

MOST INSURANCE markets have had a hard time in the past year and the so-called London fringe market is no exception.

The fringe—a slightly pejorative term that participants resent—is a fast growing segment of the London market, made up of representatives acting for perhaps 350 overseas reinsurance groups.

Fringe participants may work out of a UK-based representative office, through non-Lloyd's underwriting agencies, underwriting pools or fronting operations. They operate near Lloyd's their major competitor, and claim to maintain very high standards.

Like Lloyd's, the fringe market has been coping with very difficult trading conditions in the past year. Premium rates have been stable at best and have fallen in many sectors as competition has continued to grow. One reinsurer estimated that London fringe capacity has doubled in the past five years.

Meanwhile, the amount of reinsurance business coming to London has been declining, mainly because of the emergence of strong local and regional markets. In the Third World, these markets are often created by Governments and directed specifically on how big a net *line* to retain. The formation of Africa Reinsurance a few years ago and the recent establishment of Arab Reinsurance are examples of major attempts to keep large capital pools under regional control.

However, for all the concern expressed about the immense capital backing for Arab Reinsurance, London fringe representatives now concede that its presence has hardly been felt to date. *And they expect it will* pursue a fairly conservative policy.

Nationalism at its strongest was shown when companies in the Dominican Republic were given a 25 per cent increase in their automatic facilities following last year's hurricanes.

Fringe market

IAN RODGER

Following a catastrophe of this sort, a move to diversify out of the country might have been expected, with its corresponding benefit of potential hard currency inflows in the event of further claims.

A more common pattern is for countries to retain most *of the coverage of moderate risks*, laying off larger portions of major risks in London.

The U.S. market, which produces around half the world's insurance premiums and accounts for nearly a quarter of the world's total reinsurance premiums, has continued to decline. Rates have fallen by as much as 5 per cent after a 15 per cent drop last year.

None of the specialised sectors is particularly bright and some are in desperate condition. It is understood, for example, that underwriting agencies writing aviation business have simply withdrawn following a fierce battle with Lloyd's for market share. Lloyd's itself has *fallen* into loss in aviation.

The oil rig sector is also depressed, and underwriters fear that aggregate premium income may be inadequate to covers losses in the event of a *catastrophe*.

After problems in the past few years, reinsurers are now trying to avoid long tail liabilities, such as motor business in France and asbestos-related risks in the U.S.

In other fields, such as computer leasing, both Lloyds and the fringe have become embroiled in legal disputes over *claims and, in the numerous* computer leasing actions, a significant number of fringe companies have been joined in the suits against Lloyd's underwriters.

In machinery and construction, the overcapacity problem surfaces. A few years ago, the field was left to companies with the necessary expertise but now *anyone interested in building* up premium income has come into these sectors, causing premium rates to be squeezed severely.

With the market so weak, cash flow has inevitably become a serious problem. Delays in closing risks have lengthened considerably, as clients try to retain their funds as long as *possible* and *there is little* sign of any improvement on the horizon. Some companies have joined the Policy Signing and Accounting Centre (PISAC), which functions like Lloyd's LPSO in signing documents and collecting premiums on behalf of its members, but its effectiveness is still uncertain.

Another sign of the times is *the acceptance in the past year* of the practice of offsetting premium accounts receivable from a broker with any claim due to the broker.

Some clients are worse than *others*, with certain *African* countries becoming notorious as slow payers. Some reinsurers are starting to balk when it comes to renewal with African clients.

It is difficult to estimate when market conditions will improve. The problem is that many organisations have rushed to join the London fringe in the past few years, seeing it as a place to make a lot of money fairly quickly. Unfortunately for them, reinsurance remains a business of contacts, reciprocity and confidence, and newcomers can *only hope to be offered the* most hazardous or least profitable business. Moreover, fringe reinsurers do not have the cash flow benefit of large domestic direct account, as do British *composite companies*. And the deteriorating *cash flow* pattern in reinsurance itself is such that it is becoming very difficult to generate any funds for investment.

"Hopefully," one veteran reinsurer said, "the people behind the new capacity will realise in the next couple of *years that they are not earning as much here* as they *could* in Granny Bonds."

Increasingly high costs force second thoughts

A LONG, hard reassessment of the captive market has taken place in the past few years. Cost *considerations alone of a captive* venture are causing many companies to have second thoughts about captive operations.

Captive companies are largely a development of the post war period. They are the creation of major industrial and commercial companies who are seeking the handling of insurances of the parent company and subsidiaries through their own in-house insurance operation.

Some of the earliest captives established in the 1920s and 1930s were prompted by difficulties encountered in trying to place hazardous risks in conventional direct insurance markets. In recent years large manufacturing companies and commercial companies have sought to control costs of handling their risks. They have demanded more extensive forms of partial insurance (notably large deductibles and sometimes large first loss covers) and more flexible premium rating schemes related to the loss experience of the group. These objectives have often met with resistance from insurers concerned with preserving their premium incomes.

The two basic services which the captive can provide to its parent company are:

- A more efficient way of insuring risks. The captive can achieve this efficiency through ensuring that the lesser experience of the parent company is *improved. Profit derived from* an improved claims experience will benefit the parent company and not the insurance industry.
- Cover for types of insurance *not available or not readily* available in the market place.

During the 1960s multinational corporations discovered the advantages of establishing captive insurance companies in tax havens such as Bermuda, the Bahamas and the Seychelles. Latest estimates suggest that there are around 1700 captive companies, with about 1,000 operating out of Bermuda. U.S. captive companies are probably writing about $7bn of premium. Of that figure about $4.7bn is coming from their parent companies while $2.3bn is coming from *insurance business outside their* groups in an effort to widen their portfolios.

Captive companies should provide their parents low cost *cover, individually sold* services, greater administrative control, improved cash flow and the additional advantages of insurance buying (tax deductibility of the *premium*) and insurance selling (tax deductibility of loss reserves). *Moreover, the captive would* give its parent direct, and therefore less expensive, access to reinsurers, a major consideration for large multinationals seeking catastrophe cover above their level of exposures which *they are prepared to assume. And the investment income* which could be earned by loss reserves during the period *between* premium payments and claims payments, often running into years, was a powerful attraction.

There are many qualifications *to the apparent advantages.* Captives may be able to buy individually sold services, but the fees for captive management and accounting, auditing, legal statistical and claims administration services can be steep. Most captives operate out of *Bermuda.* A parent company's U.S. and international risks must *first* be insured by a licensed "fronting" company and then reinsured to the offshore captive. Fronting fees, state premium taxes and federal excise taxes might reduce premiums that pass to the Bermuda captive by 10 per cent or more.

There are uncertainties over the tax benefits. A captive is regarded as a controlled foreign operation under sub-part F of the tax code, and the underwriting and investment income it earns on U.S.-based risks are *taxable to* its parent whether or not that income is repatriated.

The IRS successfully challenged Carnation Company's captive, thus putting the tax deductibility of premiums paid to captives, and of loss reserves held by captives in doubt. The IRS line was that as a *wholly* owned company underwriting only its parent's risks, Carnation's captive was not an insurer but simply a self-insurance device.

The case stimulated other captive companies to seek other insurance risks outside their parent companies in order to *avoid the IRS ruling. They have* insured long tail liability business at a time when market conditions are already *soft.* Realising their possible exposures in weak market conditions most captives have had to reinsure heavily and this in turn has increased costs.

Captive companies

JOHN MOORE

The consensus view is that *companies should now only use* captives if the parent wants to go into the insurance business, is a foreign corporation not subject to sub-part F of the IRS *code and can therefore shelter* the captive's underwriting and investment income offshore for *tax purposes, is cash heavy,* and has a foreign source of income *from countries in which* it is paying higher taxes than it can get credit on in its domiciled *country.*

In fact there is a marked slowdown in the growth of the captive movement as companies swing back to conventional self-insurance, *whereby* the parent companies can retain the use of the money without the loss of revenue that can take place through placing its manageable *risks outside its walls in the* commercial insurance and reinsurance market.

One U.S. company recently worked out that its workers' *compensation risks placed* with its captive cost it $300,000 a year in "fronting fees," state premium taxes, federal excise taxes and other costs. Self insurance cost *it* a $500 *fee.*

The other development is the use of cash flow plans which allow premium payments to be deferred to coincide with claims *payments* and leave less reserves in the buyer's hands. The advantages are considerable. If a corporation is allowed to retain his loss reserves he can effset eventual losses with a reasonable after-tax return on investment. This service is being offered by a number of major insurance groups.

Under this type of arrangement 30 *cents, say,* of the premium dollar pays for the insurer's overheads, premium taxes, claims handling and the layer of risk above the buyer's *own retentions.* The remaining 70 cents is for loss reserves against future claims.

Another by-product of the captive movement is the "rent-a-captive" concept. Instead of incurring start-up costs, a corporation can rent a captive that is already in existence. In some cases the "captive" itself is intended to be a non-risk-bearing entity. All liability assumed by it is fully covered either by reinsurance or by the premiums charged with full security provided by the insured via financial guarantees, such as irrevocable letters of credit and indemnity agreements. While the rented captive is obviously not a controlled foreign corporation *under the definition of the* IRS rulings it is possible that it might qualify as a self-insurance scheme under the rulings of the IRS.

While the captive movement is revealing some imperfections in concept it is stimulating a whole host of insurance and reinsurance developments.

Guaranteed flow of business

CAPTIVE GROUPS which have developed portfolios of insurance business unrelated to the insurance needs of their parent companies have used a variety of methods to secure business. They can take *insurance* and reinsurance business direct from other captives, from brokers, direct from insurance or reinsurance companies, underwriting agencies or captive pools.

The pooling arrangement is a coming together of captive *insurance companies to share* in other captive business on a reciprocal or semi-reciprocal basis. They are usually operated by insurance and reinsurance companies.

The companies which operate the pooling arrangements *usually pass on or cede to the* pool excess of loss reinsurance business under a treaty. Effectively what the captive pool is gaining under this arrangement is the expertise of the established insurer and a guaranteed flow of business. Once the pool receives the business from the insurer or reinsurer it retrocedes, or passes on in *further* reinsurance, a percentage share of the business of the whole pool back to the individual member captives.

Often limits are imposed. *Access to one facility is* restricted to captives ceding reinsurance premiums in excess of $500,000 a year. Not all of the business need be redirected to the pool, but insurers often insist that a reasonable percentage can be redirected to the *pool with the expectation of* receiving a share of the portfolio of business generated.

Such a scheme would allow *medium to large captive* insurance companies to utilise more effectively their reinsurance ceded in order to diversify risk. The insurance company operating the scheme would receive a fee, say 5 per cent based on premiums ceded to the pool.

Another type of arrangement involves a more direct equity interest by the participants in *the pool.* Under one arrangement each participating company in the pool, which will be operated by an insurance and reinsurance group, will buy equal amounts of shares in a pool company.

Captive pools

JOHN MOORE

Usually, such schemes may be *restricted to larger companies,* not because of premium requirements, but because of an insistence on financial standards which will have to be maintained by the captive and its parent.

If an ambitious excess *liability programme* and a primary casualty programme is undertaken by the pool strict limits are applied. The rates and premiums are reviewed by an underwriting and rating committee and generally follow the rates established by *recognised* market leaders in that area of the business. Each exposure can be rated by one of the lead underwriters who *then agrees to acept a minimum* proportion of the business, say 10 per cent. The balance then may be insured with the pool company which retains say another 10 per cent of the business and reinsures the remainder with the insurance *affiliates of the participating* companies, they being the member captives.

In this arrangement where each member of the pool company *is a shareholder the* amount of business assumed by each captive is in proportion to the premium it pays into the pool company during the year.

While the formation of captives may have produced an increase in reinsurance business it is debatable how much of it has passed to established reinsurance markets. Captive companies in pools can handle sizeable volumes of business by *exchanging the business* between themselves.

Reciprocity, the exchange of insurance and reinsurance on an agreed basis, needs to be *handled with some care. There are of* course advantages. Net premium income can be increased by adding to the premiums retained from other business the premiums for reinsurances accepted. A more diversified portfolio of business can *be obtained which would* help stabilise underwriting results. Wider geographical representation may be obtained which would help internationalise portfolios. The ratio of administrative expenses to net premiums may be reduced by increasing incoming insurance *business which would offset the* cost of outwards reinsurances.

The disadvantage is that other insurers' business, particularly the portfolios of those at the sharp end of securing the business volumes, may not be as profitable as the more passive party in the relationship would like to see. Moreover incoming reinsurance business similar to that which a company may be outward reinsuring may only *compound problems.* when *the* underwriting cycle on that business is unduly depressed.

Reciprocity may incur onerous costs both ways on the business. Larger risks will need the use of many reinsurers and *retrocessionaires to obtain* a spread of risk and that will swell expenses.

But captives acting in their own right outside pooling arrangements have attracted criticism for their inferior management and underwriting talent which they use. Although the captive company may use an *individual captive* management specialist company to arrange its underwriting programme, the expertise can often be variable. And they have often been seen as soft markets ideal for stuffing with bad risks, the liabilities of *which neither the management* company nor the broker introducing the business are carrying. It is partly this problem which has stimulated some of the growth of the pooling movement.

Dispersal of large risks

REINSURANCE CHAINS and programmes have become increasingly complex in recent years. In the next few years they are likely to become even more complex.

Conditions in world reinsurance markets are intensely competitive. There are more participants operating in reinsurance than ever before. Premiums are not growing at the same rate as the available market.

To develop and generate further revenues against a background of intense competition, traditional non-risk bearing intermediaries such as the brokers have attempted to act in a quasi-risk bearing role through the provision of underwriting facilities. Although these relatively new entrants to the underwriting market may assume a large proportion of any insurance or reinsurance risk as risk carriers, they may equally pass on their risks in the form of 100 per cent reinsurance or retrocessions, after earning interest on the money and gaining a further slice of commission. The brokers and other intermediaries are naturally determined to make each dollar of premium work as frequently and as effectively as possible.

This comparatively recent development has provided many innovations to the market and given world, reinsurance an *added flexibility*.

Large risks have been increasingly atomised throughout world reinsurance markets ensuring that no one risk carrier will be unduly exposed.

Those the the apparent advantages. There are real disadvantages. In an increasingly complex reinsurance chain cash transfers move slowly, if at all, as each participant seeks to benefit from interest rates. One case was recently cited where the premium in the chain was never paid to anyone at any time. All parties involved in the chain intended to offset premiums against claims. When claims eventually exceeded premiums by 300 to 400 per cent, it was hardly surprising that one of the ultimate risk-carriers refused to pay the claims.

With so many participants acting in the *international* reinsurance chain, with intermediaries often wearing non-intermediary hats, it is becoming increasingly difficult to identify who is the principal and who is the agent; who is the risk-bearer and who is the broker. Inevitably, the spaghetti-like tangle of the roles of the parties involved in the placing and insuring of the risk, coupled with the added problem of recovering money from increasingly reluctant reinsurers — who want to hold on to their money as long as possible — has meant an increase in litigation.

Programmes

JOHN MOORE

The increasing likelihood of litigation arising from the complexity of reinsurance programmes is placing great strain on the conventional use of reinsurance techniques.

There are two types of reinsurance—proportional and non-proportional. Under a proportional reinsurance the reinsurer accepts a fixed share of the liabilities assumed by the pjrimary insurer under the original contract of insurance. Under a non-proportional reinsurance arrangement the reinsurer only becomes liable to pay if the losses incurred by the ceding company—the company which is seeking reinsurance—exceeds some predetermined figure.

Under proportional reinsurance arrangements, the reinsurer accepts liability for a proportionate share of each risk ceded to him, and his loss experience on individual risks will match that of the primary insurer. The reinsurer in this arrangement usually receives a corresponding proportionate share of the original premium, less an overriding commission to compensate the primary insurer for expenses incurred in securing the business, such as survey and claims investigation costs.

Within a proportional reinsurance arrangement the respective loss experience of a ceding company and its reinsurers can differ depending on how the contract has been negotiated.

This depends on whether the proportional reinsurances have been negotiated as a quota *share or a surplus treaty* reinsurance. Under a quota share the retained and reinsured portfolios will incur the same loss ratios in relation to original premiums.

But in the case of surplus reinsurances, the ceding company reinsures only those amounts which it does not wish to retain for its own accounts.

Non-proportional reinsurances have proved more popular in modern conditions. Proportional reinsurances, particularly the surplus reinsurances, help to stabilise the ceding company's operating results by reducing its exposures on individual risks. But non-proportional excess of loss reinsurances can perform the task more efficiently, say the experts and can also be used to deal with the problem of accumulations and catastrophe risks. Non-proportional reinsurances save administrative time and expense. These factors have led to the swing away from proportional to non-proportional reinsurances even for classes of insurance, such as fire, which have traditionally been reinsured on a proportional basis.

Excess of loss reinsurances are often placed in layers. Some reinsurers, such as Lloyd's underwriters, are not anxious to write reinsurance with relatively low limits which may produce a large volume of claims, so it can prove cheaper to seek their participation only for protection against larger *losses*.

Cost savings can be made by reducing the number of reinsurers involved with the smaller losses. Professor Robert Carter, in his study on reinsurance,* described a typical series of reinsurance excess of loss of treaties for a motor insurance account. On the example given a primary insurer may arrange three separate excess of loss treaties for its motor insurance account as shown in the table.

EXCESS OF LOSS TREATIES ON A MOTOR ACCOUNT

	Lower limit— reinsurer assumes liability	Upper limit to reinsurer's liability
Retain for own account all losses from any one accident up to £10,000		
First excess of loss layer	£10,001	£25,000
Second excess of loss layer	£25,001	£100,000
Third excess of loss layer	£100,001	£500,000

Proportional and normal excess of less reinsurances are designed to reduce the ceding company's net liability on individual risks; while excess of loss reinsurance arranged on an occurrence basis assume net liability for all losses flowing from a single occurrence.

A variety of techniques are employed in the organisation and placing of reinsurances.

Under the facultative method each risk is offered individually to reinsurers who are free to accept or reject any size of share. It is mainly used for pro*portional reinsurances*.

Under a treaty arrangement, the parties involved in the reinsurance contract agree a treaty which sets out terms and conditions. This arrangement obliges the reinsured to cede, and the reinsurer *to* accept, risks of a class falling within the limitations of the treaty.

The facultative obligatory arrangements and open covers lie midway between the facultative and treaty methods. Under this arrangement a reinsurer agrees to accept obligatorily a share of any business conforming to such predetermined conditions as class of insurance, type of risk and country offered by either a ceding company or a broker—when it is known as a broker's open cover and can include insurances written by different ceding companies. There is no obligation on the ceding company or broker to *offer any business*. It is a technique used mainly for surplus line business.

Then there are the reinsurance pools. In a pooling arrangement each participating company may *subscribe* part of the capital required to establish a separate reinsurance corporation, which will reinsure some agreed part of the risks underwritten by the companies. Or the management of the pool may be undertaken by one of the member companies or by a jointly established organisation its role being to share between all of the members in agreed proportions, reinsurance ceded to the pool by individual member companies.

Reinsurances arranged with pools take various forms but are often organised on a quota share or surplus reinsurance arrangement between participating members. The pool may retain some part of each risk for its own account but retrocedes a large proportion of the risks for its members.

The application of these techniques among so many participants across numerous international frontiers has often given rise to misunderstandings about contractual wordings, leading to an eventual disruption in the reinsurance chain. And it is these disputes which so often erupt in the UK and overseas law courts with increasing acrimony.

** Reinsurance by Professor R. L. Carter: Kluwer Publishing in association with the Mercantile and General Reinsurance Company.*

Security assessment reviewed

AS COMPETITIVE pressures have intensified in world insurance markets so industry specialists have begun to agonise at length about the underlying security of the reinsurers who provide vital support to the primary risk carriers. Methods of security assessment, and how to spot the warning signs of future difficulty among companies, have been reviewed extensively in the last year.

What has given rise to the new concern is the realisation that the growth of many domestic companies has brought with it an increasing reliance on the reinsurance market. Newer companies often have ambitions beyond the scope of their initial capital and management capability.

Small companies are often writing risks that are out of all proportion to their size, capital structure and underwriting skill. They can only do so if they are supported by and even encouraged by the reinsurance market.

As one state insurance supervisor observed earlier this year, "this may be tolerable, though unstable, if the reinsurance market in question is knowledgeable concerning the risk as well as the management capability, the underwriting judgment and the premium structure used by the primary company."

The industry is worried about the absence of centralised data on the companies, the lack of standardisation in the presentation of financial information, and alarmed at the fragmentation of risks and the growing number of participants in a reinsurance chain. Will the weak link in that chain place undue pressure on the other and more soundly based participants?

Many reinsurance companies, say industry specialists, do not have the capital or reserves to meet their gross liabilities. They in turn are relying on an immediate response from their own contracts, failing which, their financial structure would be under considerable strain. Mr Edward Nelson, a member of the Lloyd's committee, speaking at a conference earlier this year, said that in the UK, U.S. and Canada legislation had been introduced requiring insurers in one form or another to contribute to insolvency funds on a "pre" or "post" assessment basis. "This requires them to subsidise any insolvencies from licensed companies, which would be an additional burden upon them at an inopportune time."

Security

JOHN MOORE

The solutions suggested for dealing with the security problem are many and varied. They may be listed as follows:

- Companies or underwriters who offer themselves as reinsurers should reveal how much reinsurance they have purchased and indicate where possible the standard of security where it is placed.
- Reinsuring companies should be prepared to offer letters of credit issued by approved banks as additional security, which will provide for an immediate draw down facility for paid and approved losses, should any delay be incurred in normal accounting procedures.
- More centralised data services.
- Improved reinsurance broking, with brokers selecting security on a mixture of subjective and objective criteria. As one broker observed: "Brokers are likely to continue to form their own views, which may include such non-classifiable features as the length of queue to see an underwriter, and what he had for lunch."
- Prompt settlement of accounts.
- More regulation.

On this last point it has been suggested that perhaps the gross risk and the net retention should be related to the capital and surplus except to the extent that the risk is reinsured in reliable companies under acceptable arrangements. Flexibility would have to be maintained to allow excess risks which are beyond the capacity of the local market to find cover in international reinsurance markets. Any regulations to deal with this would be rather arbitrary.

Another safeguard suggested is that insurance authorities should insist on a minimum retention as well as a maximum retention. This would establish a direct and committed involvement in the risk by the carrier, which might prevent unsound premium rates being offered.

On the data publication front there have been various developments, including one broker planning to commercialise his own security vetting system.

In July this year Fox-Pitt Kelton and Partners, who work in association with Conning and Company, the U.S. stockbrokers and insurance specialists, introduced its "Insurance Security Report" service, covering initially relevant U.K. authorised general insurance and reinsurance companies providing results, where available for 1977-78-79, with 1980 data to be prepared about now.

The objective is to provide statistical data of all companies writing general insurance in the UK and is designed to help security assessment in the reinsurance market.

The service includes UK branch results for foreign companies, where published, and their international results. It is intended that companies in major reinsurance markets will be eventually analysed.

Each company's financial performance is assessed by set standards. Nine tests are applied to the companies examining their size, solvency margins, the change in solvency *margin, the statutory* Department of Trade solvency cover, the reinsurance ceded the change in net premiums, the underwriting losses and investment income, technical reserves/capital funds and technical reserves and liquid assets.

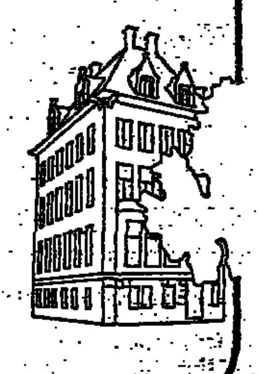
A statistical report displays a selection of key figures and ratios, which will enable an assessment to be made of the size and type of insurance being written, the reinsurance activity, reserve and capital levels and earnings.

The service gives codes to companies of varying size. To gain an "AAA" rating a company must be writing net pre*miums of over £100m*. Companies who only write up to £1m of net premium will qualify for an "F" rating although it is stressed that size is no criterion for security.

The standards for the solvency margin test—the percentage relationship of capital funds to net premiums written — are determined after canvassing market views. For net premiums writen of over £100m it has been determined that capital funds *should represent over* 30 per cent of net premiums written.

For a company which has writen £2m it has been established as a standard that capital funds should represent over 45 per cent of the net premiums written. Thus, if a company has net written premiums of £2m and capital funds of only £600,000, it will show a "fail." Concerns which satisfy the standard are awarded a "pass."

The change of solvency margin test will indicate a "fail" if the solvency margin test has decreased by 10 per cent or more.



Underwriting agents plan new code of conduct

LAST YEAR insurers and reinsurers were asking whether *underwriting* agents and agency companies were more trouble than they were worth. Many international insurance and reinsurance groups thought that they were after two or three years' highly variable, and often nerve wracking experience. They were choosing to take evasive action and had *begun* to rearrange their overseas underwriting operations.

This year the criticism of the underwriting agencies has become more strident—so strident that underwriting *agents in London have decided* to take action. A group of influential agents is planning to form an association which will represent their interests and *impose some standards* within the market.

No specific details have emerged excepting that it is emphasised that the new association will not be like the UK's Reinsurance Offices Association. Rather, it will have teeth. Attempts are being made to draw up a code of conduct. But *there* are *difficulties in* reconciling the widely differing aspirations and requirements *of* the many types of agency company in operation.

Agency companies can be structured in many different ways. They can be wholly independent, wholly broker controlled, or they may be created by a number of insurance and reinsurance companies for pooled underwriting arrangements, or the agent may be acting *for disinterested* companies. Establishing common ground between the different interests is the biggest hurdle that the London agents face in the *creation of a new association.*

Underwriting agencies acting *on* behalf of other insurance and reinsurance companies have formed an important sector in the London insurance community. They possibly account for around *two-thirds of the non*-marine reinsurance company market business and a similarly high proportion in the marine market. Many of the new companies that have come *into the* London reinsurance market in recent years have arrived via an agency.

In other international markets the use of agency companies has often proved the most expedient way *for* reinsurance groups to establish a presence in local markets. Absence of a local office with powers to accept business can often act as a severe constraint on the ability of reinsurance *groups to compete* effectively. But the establishment of a local office with full underwriting powers can be both expensive and precarious. Skilled and responsible underwriters who possess an *intimate knowledge* of the local market are often hard to come by and unless high calibre talent is recruited the overseas reinsurer could face a tough time.

Overseas insurance groups seeking a participation in local markets often include a large number *of direct companies* who are attempting to broaden geographically their portfolio of business, reducing their dependence on home markets, and to provide a currency hedge. Their experience using underwriting agents has been mixed.

Mr Julius Neave of the Mercantile and General Reinsurance Company observed earlier this year that the concept of *delegating underwriting* and *management* responsibility "is only satisfactory if placed in the right hands. It is indeed a *powerful* authority which if *identity of interest is lacking* can be open to great abuse."

All that is *needed to write* business in the London market is finance he emphasised. Business acquisition, underwriting, administration and other necessary *functions can be delegated* to an agency paid by commission.

The agency will depend on brokers who are also remunerated by commission on premium turnover to bring in the business. The passive carrier *of* the risk relying on the underwriting result for his remuneration is dependent on two operators active in his interest, neither *of whom carry any part of* the risk but both of whom live on generating premium turnover.

"Many overseas insurers have entered the London market on this basis with high hopes and lived to rue the day *they did so," said Mr* Neave.

He was critical of the superficial, almost casual way in which a powerful and potentially dangerous authority was delegated by new entrants to the market from overseas with*out proper investigation of* the qualifications, capabilities and track record of the agents who were receiving the authority.

"There is clearly too much scope for the unscrupulous to evade the regulations and the opportunity has been grasped all too often," he said and added that "the abuse of trust in this field has produced some hair-raising stories. Stories of business handled in *off-shore* tax havens outside the reach of litigation; of phoney retrocession arrangements which have failed to pay; of over-riders inflated far beyond the market norm and other horrors which *do no credit* to the market's *reputation."*

Many underwriting agency *companies* are part of large publicly quoted Lloyd's insurance brokers. The brokers, who will have to divest themselves of their managing agency interests at Lloyd's once the new Lloyd's legislation comes *into force*, will be *seeking* to develop these interests further to compensate for the loss of revenue of the Lloyd's agency companies.

Underwriting agents

JOHN MOORE

As with their Lloyd's underwriting interests the brokers have a potential conflict of *interest* in their association with company underwriting.

The agency companies are not risk bearing. They accept the business on behalf of principals, administer the portfolio, which includes the collection of premiums and other balances from ceding offices, maintaining the funds to cover technical reserves and paying claims.

Brokers who *own agency* companies have a number of additional sources of revenue open to them. If they act as both direct and reinsurance broker they can collect the commission twice over. But if *they* pass that business on to their agency company then they can earn further revenue, particularly if the remuneration is based on volume rather than performance.

The brokers bear none of the *risks. While it is often said that* there should be identity of interest between the agent and the principal to avoid conflicts, the structures of the agency system militates against such an arrangement. Brokers would be falling in their duty to clients if they acted as the agent of the seller of insurance from which they were buying protections for their clients.

Moreover, the larger brokers have to satisfy their numerous shareholders, who like to see a steady increase in earnings per share. Brokers own performances, determined by the amount of revenues they generate and commissions they earn on those revenues, mean that an overseas company, using an agency company, whose ultimate parent is a broker, may lose out. In recent years *there have* been some tactical withdrawals by overseas companies from agency arrangements with brokers. Large volumes of business, inadequately rated by the agents, have produced equally *large liabilities for the overseas* companies.

Insurers have come to realise that a less costly way of operating in foreign markets is to set up a local office.

There have been legislative and regulatory loopholes in the UK which have allowed abuses. An overseas company which employs an underwriting agent to accept business on its behalf *requires authorisation to insure* from the Department of Trade. Insurers outside the EEC will normally be allowed to operate only through a subsidiary company.

A company must comply with stringent financial requirements and satisfy the Department that those individuals *responsible for the business are* "fit and proper persons." An underwriting agency, however, not being a risk carrier, merely has to comply with the require*ments of the Companies Act* relating to routine matters such as the form of balance sheets and annual reports.

Under new legislation the *Department of Trade will also* have to be satisfied that where agencies write more than a certain proportion of an insurer's gross premium income in the UK the management of the agency should satisfy the "fit and proper persons" criteria.

Outside the control of the UK regulatory authorities are the underwriting agencies carrying *on business by means of contact* offices. An agency established offshore may have a contact office in the UK which writes business on a confirmation basis. *In theory this business is* underwritten not by the contact office but by the agency company outside the country. The contact office is considered as having introduced the two parties in the transaction to each other. It *is difficult to prove in these cir*cumstances where the acceptance of the business takes place.

From the authorities viewpoint, *overstringent regulations* to control this practice may restrict legitimate London market business. At least the initiative by the group of underwriting *agents to form their own associa*tion may establish a few disciplines in an area which has often been abused.

Industrial diseases a problem for the liability sector

LIABILITY business is going through a tough time at present and among all the problems besetting the insurance industry *throughout* the world, those of the liability sector are the most prominent and possibly the most intractable.

Insurers and reinsurers on both *sides* of the Atlantic are finding claims costs are soaring through a variety of factors, especially in the employers' liability and workers' compensation accounts which have been affected by a variety of factors.

In the first place, there is now a far greater awareness of industrial diseases. Medical science in this area has made *great strides* in the past few years and medical diagnosis is much more specific as to the cause of various diseases. In many cases an employee's work*ing environment has been found* to contribute wholly or partially to his disability or medical impairment. The various diseases for which *employees are claiming compen*sation from their employers has grown significantly.

This feature is well illustrated by the growing incidence of asbestosis—the *biggest* thing to his the liability business in the *U.S. according to one* leading Lloyd's underwriter. This is one of the dust-borne diseases, of which each type of disease has its own name relating to the source of the dust. These diseases are insidious and accumulative, *but asbestosis is* especially slow to manifest *itself in comparison* with silicosis or pneumoconiosis which shows manifestations much earlier. The first signs of asbestosis may be six or seven years in appearing.

Asbestosis made the headlines a *few* years ago with the public revelations of Professor *Irving J. Selikoff, now Professor* of Medicine and Community Medicine at Mount Sinai School of Medicine of the City University, New York. He brought to the attention of the U.S. public the widespread prevalence of the disease among those who were working or had been working with asbestos, claiming that at least 500,000 people could be victims.

Although asbestosis had been known as a disease, up to then it was not widely diagnosed. Instead people were told it was acute bronchitis or some other kind of lung infection and *not* directly related to their employment.

Professor Selikoff has changed all that. He has been called as an expert witness in several major court cases on liability and his evidence is likely to have influenced the size of compensation made by the courts.

The U.S. insurance industry *is now receiving new claims* at the rate of 500-a-month as employees trace their connection with asbestos going back to the 1940s.

Liability

ERIC SHORT

The method of pursuing claims in the U.S. with aggrieved employees able to *obtain* the *services* of lawyers on contingent fee basis makes it relatively easy to obtain awards in court. The million plus dollar awards are the ones which make the *headlines*, but fortunately for insurers the average level of claim is around $20,000 according to a leading Lloyd's underwriter.

This development has sent a series of shock waves throughout the U.S. insurance and reinsurance industry. Because *there are a whole range of dust*-borne diseases that have effects similar to asbestosis and this spate of claims could be repeated. Already claims are starting to come for byssinosis, a dust-borne disease from cotton and textile industries.

Asbestosis claims are starting to arrive *on* the *desks of UK* insurers and are attracting a certain amount of publicity, though nowhere on the scale of the U.S. But this is not the main cause of UK liability accounts running up losses. It is being affected by a whole range of industrial disease claims being *made* from the past, with industrial deafness *possibly* the most common.

Considerable research is being made into this type of impairment and other industrial disease through the Health and Safety Commission. A recent Report on the Protection of Hearing at work estimates that *around 600,000 employees work* in noise conditions above 90 dB (A), the accepted noise level.

The lesson from the events of the past few years is that medical science is making considerable advances into the *origins of disease.* Diagnosis is becoming much more precise and thus the areas of liability for insurers are being greatly *extended.*

The second feature affecting liability business is that people are becoming much more aware of their rights and methods of claiming against employers. And they are prepared to pursue their claims through litigation if necessary. This consumer awareness is being fostered by the trade unions, the media and the authorities.

Legislative action to settle claims is common in the U.S. In the UK, settlement is usually made without recourse to the courts. The trade unions are very active in looking after members' interests in this field and certainly have done much in pursuing industrial deafness claims.

The UK insurance and rein*surance industry proudly claim* that not many claims are refused and the discussions are centred on the amount of compensation.

Finally, the liability accounts have been hit hard by the effects *of inflation, and not just price* inflation. The amount of the claim paid is directly related to the amount currently being awarded by the courts.

And court awards are rising far faster than price inflation—termed social *inflation* in the U.S. The degree of sympathy for the *claimant gets stronger each* time and this is reflected in the *increased* amount awarded.

Relate these three factors—better medical diagnosis, greater awareness of rights and high rates of social inflation—to claims that originated on accounts many years ago and one can see why liability accounts are making underwrit*ing* losses. The premiums charged at the time were based on a much narrower conception of the risks involved and were thus grossly inadequate. The higher rates of interest available have only partially offset the rising claim costs.

Reinsurers have been hit much harder than the direct insurers. *They are the ones which pick* up the increases in the large claims and the proportion of large claims is rising. One rough estimate is that reinsurers *are facing claims rising* more than twice the rate of inflation. No investment return will compensate that rate of increase.

The reinsurers are faced *with the problem that they are* underwriting to-day's business *for risks and claims that will* emerge in many years time. Liability is open-ended business. They have three lines of action.

First, underwriters need to appreciate the problem and be prepared to charge higher rates to account for the increased risks that are emerging.

Next they need to rewrite the policy wordings, since the present ones in use are proving *to be inadequate. Finally, they* need to be much tougher in their underwriting.

Indexation of risks and retention limits is now widespread among reinsurance agreements for liability business so that the direct insurer bears his share of inflating claims. The reinsurers are reviewing the whole method in which reinsurance of liability business is transacted. But the *more responsible* reinsurers are being thwarted by the actions of the others in the market.

The liability market is still extremely soft as more insurers and reinsurers endeavour to increase their business. There are two main attractions for *the U.S. and UK markets. First* there is the high interest rates available and secondly these reinsurers feel that they can start with a clean sheet with no backlog of outstanding claims not yet reported. The result is soft in realistic rates that will do nothing to get an orderly *market.*

A Lloyd's underwriter described the international market in liability as being in *total disarray and* named companies from Europe, Bermuda and the Far East as buying their way in. He forecasts that losses were going to continue to be extremely substantial.

Most established reinsurers could see no degree of realism returning while high interest rates pertained.

Continuing debate over statutory controls

THE DEBATE concerning regulation and supervision of the world's reinsurance markets, in a period of a rapid increase in capacity, has been focussed first on the desirability of a supra-national regulatory framework and an examination of these requirements as they stand now on a country by country basis and, second, on the need for statutory control *unless it is decided* that the reinsurance market, like Lloyd's of London and its *nearby Stock Exchange, should* be permitted to continue to supervise its own affairs.

It is becoming clear that, despite continuing argument for a common viewpoint, individual countries are content to maintain an individual approach.

Nobody disputes the need for a clear identification of solvency requirements. After all, a reinsurer can affect the public at large if its failure precipitates the collapse of a direct writing company.

But reinsurance is essentially a trans-national activity and needs to operate freely across frontiers on the cushion of the widest possible operating base in order to absorb the large spread of *exposure now* common throughout the world.

Then again, the point is increasingly raised that national economic necessities must be served first, to contain currency *flows and to use insurance funds* for local investment.

Statutory controls, where they *exist, are very varied.* Where present, these regulations consist primarily of an evaluation *of technical* reserves and solvency margins.

Technical reserves are made *up of unearned premium re*serves and outstanding liability reserves.

Liability reserves, in turn, include reserves for incurred but not reported liabilities, *known as IBNR.*

In his new book, Reinsurance in Practice, a leading reinsurance underwriter, Robert Kiln, makes it clear that, in his view, IBNR reserves are a major problem.

While unearned premium reserve and the reserve for the *known outstanding liabilities* are factual, the calculation of IBNR reserves on a net or gross basis depends on the views held by the relevant statutory authority.

Kiln points out that a reinsuring company in the U.S. will be allowed to take credit for licensed reinsurers in respect of both premium reserves and outstanding liability reserves.

Unlicensed reinsurers, he says, will usually deposit their share of both premium reserves and outstanding liability reserves with the ceding company.

Going on to look at the regulatory approach adopted by the French authorities, Kiln

Supervision

RAY MAUGHAN

notes that gross reserving is followed and thus makes no allowance for reinsurance. Reinsurerers will normally deposit both premium reserves and outstanding liability reserves with the ceding company and *the ceding company* can count the reserves actually deposited as an asset to offset gross reserves.

Should this policy of gross reserving be more commonly adopted? It seems attractive and logical, Kiln observes, since it means that no supervisory controls need to be exercised over reinsurance operations, the direct insurer would thus be *subject to control of the entire* risk.

It would mean that if the practice were adopted universally, without too much upset and dislocation, then reinsurance would, to use Kiln's words, "get the regulators off their backs and their financial viability would be judged by their own clients and their own directors and shareholders."

Gross reserving does, in many instances, have its drawbacks. Essentially, reinsurers would be funding their share of technical reserves which, in turn, would require them to *localise a part of their liquidity* which would not then be available to match urgent claims in other localities.

While noting that a technical reserve should only be made to *cover specific* liabilities, the underwriter claims that such cash localisation would rein in a reinsurer's investment freedom and thus cut his potential interest income. "Out of sheer necessity," Kiln maintains, "reinsurers might be required to employ greater resources of assets and capital in the business for a smaller return."

The solution offered here *would be the use of letters of* credit or bank guarantees, local authorities permitting, in place of physical deposits. Kiln thinks that the problem of interest earnings, investment freedom and cash availability would be eased substantially.

At Lloyd's, the author notes, there is no clear distinction between insurers and reinsurers as both are treated on the same basis. The UK solvency margins introduced to cover insurers do not apply to reinsurers. The North American authorities, on the other hand, require reinsurers within their jurisdiction to show technical reserves on the same basis as direct writers.

What are the other options *open on the road to* commonality? The other routes, assuming gross reserving is not *universally adopted, would, first,* entail an accepted method of technical reserve and solvency margin evaluation thereby empowering each authority to give credit for reinsurance placed by its own direct writers with those reinsurers, provided they met these requirements, in other countries.

The other alternative, as Kiln sees it, is to trust direct writers to select the appropriate reinsurers and thus avoid the issue of statutory control. As a reinsurer himself, Kiln is confident that, as professionals the direct writers could be relied on to pick the right associates.

"This," he says, "is what has always happened and failures in the reinsurance field have been comparatively few."

And there is no necessity for reinsurers to contribute direct to a writers' solvency margin—which ensures that an insurer has sufficient free funds over and above the technical reserves to support future business written—as these margins are usually calculated net of reinsurance ceded subject to a defined limit which prevents excessive reinsurance.

The author makes a strong case for the benefits, as he sees them, for self-regulation in the supervision of reinsurance mar*kets. He feels* that reinsurers should form associations, either nationally or internationally, *which would guarantee* the debts of any member. The first step might be to introduce a code of presentation of accounts showing how technical reserves have been calculated and to *demonstrate that these, and sol*vency ratios, comply with defined minimum standards.

He makes *the point that* "cowboys" are best controlled by self-regulation on the basis that professional direct writers, as he says, can be relied on to pick only sound reinsurers.

The contrasting *aims of* reinsurance as an international market and the desire for local controls on reinsurance risk taking must be reconciled.

Total local control in the form of one compulsory state insurance company has always led to inflexible and inefficient insurance cover, Kiln considers, being provided to the public. One compulsory reinsurance company has a similar effect.

It is equally unacceptable, however, that the world's reinsurance *capacity should* be concentrated in the hands of a few of the more developed countries.

"We have to emphasise continually that too much localisation *is a very bad thing for the* country concerned and we must work towards an international *reinsurance industry, in which* many can participate.

"There is no better way of *providing the public with the* protection it needs and desires than the widest possible free *market. Government* supervision over rating and policy forms," Kiln concludes, "should be minimal but strong and effective solvency controls are essential."

FIRM EMPHASIS ON SUPERVISION IN THE UK

IN THE last year, the UK's Department of Trade has issued a consultative document on reinsurance supervision to the industry. The Department says that "the frequent warnings made by leaders of the industry about the potential dangers in the reinsurance market make it important that supervision should continue and, despite the difficulties, the Department remains committed to *supervising reinsurance business,* both of the specialised reinsurers and of mixed companies."

Britain is one of the few countries in Europe which supervises specialist reinsurance companies, although the international nature of the reinsurance market makes it difficult to supervise reinsurance business at the national level.

The key improvements which the Department has suggested for consideration are as follows:

● In statutory returns in the future, run off information should be given on treaty business. "It is a conspicuous feature of the returns that run off information is not required in respect of general treaty reinsurance business similar to that required for general direct business or facultative reinsurance business," says the document. "At present the only tests which the Department can carry out are ratio tests which are limited in scope and provide only a very broad *indication* of a company's financial position and can be misleading."

"The provision for outstanding claims is the key figure in most reinsurers returns and yet it is not possible to monitor this item effectively on the information at present required in the returns."

The Department would like to see separate information produced on pro*portional and non-proportional* business which would then be analysed by class of business and by major geographical area.

● More information about arrangements of UK based groups with major *cedants and* retrocessionaires.

● Reinsurers need to know to what extent their business is dependent upon any one *source and will want to assess* the results of that business. They will also need to be satisfied as to the *accuracy of the information* provided by cedants, particularly in the case of those which provide a significant amount of their business.

It is common practice for companies to keep a record of results by individual cedants "and, indeed, the Department would regard such records as a very important check on underwriting judgments. There is *no requirement at* present to disclose such information in the returns (to the Department of Trade) and the Department now considers that it would be desirable for it to be provided in the case of cedants who play a major role in the affairs of an individual reinsurer."

● The Department proposes that reinsurers should be required to identify cedants responsible for introducing more than, say, 10 per cent of the reinsurer's total business, the precise formula being *determined after discus*sion with the industry. Reinsurers would then be expected to provide separate run off *information in* respect of the total business from those *individual major cedants.*

● More information about retrocessionaires. The amount of information which reinsurers are required to disclose in their returns, says the document, in respect of business placed with individual retrocessionaires is limited.

Reinsurers are required to disclose how much of their business is placed with UK authorised companies and how much is placed with non-authorised ones, together with the number of companies involved in each case.

The Department considers that there is a case for requiring greater disclosure about retrocession arrangements, par*ticularly where a significant amount* of business has been placed with a company not subject to UK supervision.

Where a reinsurer has retroceded its business to a non-authorised company, the onus must be on the reinsurers to satisfy the Department that the arrangements are adequate and that the retrocessionaire will be in a position to meet any claims due.

● Major arrangements with retrocessionaires should be disclosed. The Department has had in mind that the names of any retrocessionaire, not being a UK authorised company, to which the reinsurer has retroceded business representing more than, say, 10 per cent of the total premiums payable to the retrocessionaires in the year, or which is responsible for more than, say, 10 per cent of the total amounts due from the retrocessionaires.

In every case, the Department intends to preserve confidentiality under any future adopted arrangement.

JOHN MOORE

Competition for business keener than ever

COMPETITION for life reinsurance is keen and is growing. But this sector of the reinsurance industry is not suffering as acutely as its non-life counterpart from the varied problems brought about by world-wide overcapacity.

Life business still tends to be reinsured within the country of origin of the risk, with the *life risks themselves not being* placed across frontiers to any great extent. The risks are *invariably placed with one* insurer, irrespective of size, with no attempt to spread the risk through *co-insurance.* The life insurer will spread the surplus risk above his retention levels entirely through reinsurance.

Then the reinsurance is arranged by the life insurer through one or more reinsurers operating in his country. The life broker, unlike his non-life colleague, would not be concerned with the reinsurance arrangements when placing the risk.

Nevertheless, competition for life reinsurance business is keen and reinsurers are often prepared to cut their rates significantly in search of premium income, offsetting the underwriting element against the high interest rates available in *both the U.S. and UK—precisely* the same situation as in the non-life sector.

The life companies in the U.S. *have a tradition of shopping* round for the reinsurance, with reinsurance arrangements very *much more on a facultative* basis. In the UK, reinsurance is still primarily on a treaty *basis with life companies having* at most treaties with two or three reinsurers. The risk would usually be placed with the reinsurer under treaty and until recently there was little shop*ping around.*

Life insurance—2

ERIC SHORT

Recently, however, there is evidence in the UK of some life companies have started to shop around for certain risks. Ovedseas reinsurers have been *establishing a presence in the* UK and offering competitive rates.

In the field of life underwriting, the reinsurance companies have played a leading *role in the liberalisation of* ratings for certain major impairments. The reinsurance companies have a much bigger pool *of risks than any single direct* life company and can thus offer a wider spread of risks. Where *the life company by itself would* not accept a risk or accept it at any very penal rating, by using *the reinsurance facilities, the* risk can be accepted or the terms relaxed.

In the UK, the Mercantile and General Reinsurance Company pioneered the formation of pools *for coronary heart risks,* diabetes and high blood pressure. The latter pool was closed to *new business this year,* its need having virtually ceased with modern diagnosis and treatment of high blood pressure.

But all reinsurance companies specialise in writing attractive terms for these special risks, attractive that is compared with the penal terms that a life company would charge for the risk.

The latest trend in UK life underwriting is to charge lower premiums for non-smokers. This has been quite common in the U.S. for well over a decade. But until the past few weeks only two or three small life companies had offered this concession in the U.K. Now two major companies, *Guardian* Royal Exchange and Sun Life Unit Assurance have announced *substantial concessions to non*-smokers and other major life companies are expected to *follow soon.*

This is a new development for UK life reinsurers which are following events closely. Effectively the life companies in the UK are moving to two rate structures, one for smokers and another for non-smokers, just as there are separate rates for men and women.

The UK life companies are at present using U.S. data in assessing their rating. GRE is *offering 10 per cent* reduction in premiums while Sun Life is lifting the guaranteed death cover on linked plans by 15 ped cent. The UK life companies will want guidance as soon as possible in how representative these U.S. figures are in the UK. The life reinsurance companies are certain to *be able to help on this subject* and indicate the level in differentiate of premiums.

The *life reinsurance* companies have always been placed to give rating guidance on unusual risks, relating to occupational and sporting hazards as well as medical. They have sufficient data backing among the life companies on their own. One notable example was the rating guidance given on North Sea divers connected with oil exploration and development. Quite substantial extra ratings were recommended by the reinsurance companies.

Roger Matthews previews this week's meeting between President Reagan and the Israeli Prime Minister

An unrepentant Begin goes to Washington

FEW WORLD leaders have *stirred stronger emotions* in Washington during the past four years than Menahem Begin, who is due to arrive in the U.S. capital tomorrow.

Former President Jimmy Carter recently described his series of highly emotional confrontations with the Israeli Prime Minister and recalled how he would spend "days, weeks or months negotiating with Mr Begin, often with his own advisers being more amenable to an agreement than he was."

In private other members of the Carter Administration have been far more outspoken. So it was perhaps with some relief that President Reagan took office in the expectation that he would have only a few months of dealings with Mr Begin before Israel elected a new premier.

Instead a born-again Mr Begin shrugged off the despairing message of the public opinion polls, rallied his supporters around the threat of murderous Arab intent, indulged in some pre-electoral tax-cutting and this week, against all the odds and most expert opinion, has returned to Washington as the most challenging of American allies.

Mr Begin lost little time in reminding the Reagan Administration of what a difficult friend he can be, to the extent that Mr Abba Eban, the former Israeli foreign minister, stated: "For the first time in Israeli history, all the elements in *American policy making*—Administration, Congress, Press and public opinion—express themselves in concerted distrust of Israeli attitudes."

There may be a degree of sour grapes about Mr Eban's assessment. Had Labour won the Israeli election he might now have been Foreign Minister again. *But, unfairly or not,* there is no denying that very rude things are being said about Mr Begin at the highest levels of the new Administration.

Mr Reagan, who does not seem to have a very clear idea of how to deal with Mr Begin, *should now at least get a first* hand idea of whether Israel can fulfil the role he had in mind for the Jewish state—that of cornerstone in an American-led strategic consensus in the Middle East which would throw back Soviet encroachment into the region.

It is an approach to the problems of the area which has less than whole-hearted support among diplomats in the State Department who have been trying through Secretary of State, Alexander Haig, to persuade the Administration to take greater account of very different views expressed by Arab friends. These arguments are ably presented in a remarkable three-page essay in the current issue of Time magazine (generally sympathetic to Israel, if not to Mr Begin) which suggests the Administration should be less *timid "in asserting publicly* that Begin's aims and means are potentially disastrous for both Israel and the U.S."

The indignation of such authors has been provoked by Mr Begin's unrestrained use of his largely American-supplied air power, particularly the bombing of the Palestine Liberation Organisation's "headquarters" in Beirut, during which at least 300 civilians were killed, and the earlier *attack* on the Iraqi nuclear reactor outside Baghdad. Not only has this allowed Israel's *enemies once again to present* the state as an aggressive, bullying obstacle to peace but it also increases the reluctance of basically friendly Arab states to be seen to be co-operating with Washington.

It has further raised suspicions among some

● The U.S. may worry, but Mr Begin knows what he wants.

Terry Kirk

Americans that Mr Begin has actively sought to drive a wedge between the Administration and the conservative Arab oil producers. The fighting *in Lebanon during July* and the crisis over the deployment of Syrian missiles failed *to secure any of Israel's* declared objectives, although it did help Mr Begin with re-election. The Syrian missiles are *still* in place, the Palestinians were only dented militarily and are now rapidly making *good their losses while Mr* Begin was forced, however indirectly, to negotiate a ceasefire with the PLO.

But no one in the Arab world thinks that Mr Begin's actions constitute a failure. Instead they are seen as a test of the new Administration and one from which, so far, it has emerged *with little credit. While* Mr Eban warned that by temporarily suspending the delivery of F-16 and F-15 aircraft to Israel a dangerous precedent had been set in relations between the U.S. and Israel, the most widely held Arab, and perhaps even European, view was that the American response was *the mildest possible* in the circumstances and would do nothing to deter Mr Begin in the future.

Certainly Mr Begin was not impressed. "The planes are ours. We paid for them. They are *Israeli planes made in the* U.S." This statement, coming only the day before the embargo was lifted, demonstrated either Mr Begin's confidence in the American Administration or his determination not to be swayed from his conviction that no outside power, however vital to Israel's existence, *should be allowed to prevent* him acting in his interpretation of his country's own best interests.

Having made his point Mr Begin can be expected to let the matter drop and is thought to be as anxious as the Administration not to allow the issue of the embargo to sour the atmosphere at this week's talks. Instead he will initially concentrate on pressing home the advantage he gained last week in Alexandria when President Sadat agreed to a resumption of the negotiations on autonomy *for the Palestinians living in* the West Bank and Gaza Strip. Although there is virtually no prospect of any agreement being reached, the autonomy talks are an integral part of the American-sponsored Camp David agreements, and as such Mr Reagan is forced to accept some responsibility.

Mr Begin will want to know if the Americans intend to continue their participation in the negotiations and will emphasise the importance Mr Sadat places on them. So far Mr Reagan has failed to nominate anyone to replace Mr Sol Linowitz who headed the last Carter team at the negotiations. Mr Begin also intends to ask Mr Reagan what he intends to do about the Lebanon and will doubtless furnish details of Libyan and Syrian involvement in the renewed arms build up

Containment of the danger*ously ambitious Col Gaddafy is* a topic on which a broad measure of agreement can be assured and Mr Reagan can expect praise for the Sixth Fleet's action in shooting down two Libyan jets over the Gulf of Sirte last month. From there the two men can warm to their mutual concern over the Soviet threat to the Middle East, the new pact between Moscow-backed Ethiopia, South Yemen and Libya, the developing relationship between Syria and the Soviet Union, the danger of Moscow utilising the political chaos in Iran to edge towards the Gulf and the overall question *of how best to secure* Western oil supplies.

It is at this point that Mr Reagan *will insist on his de*termination to sell Saudi Arabia a massive \$8.5bn worth of radar *surveillance* aircraft (Awacs) plus additional equipment to enhance the performance of the 62 F-15s, a policy vigorously opposed by Israel which believes its own security could be threatened as a result.

Earlier this year the powerful Jewish lobby in Washington felt it had sufficient support to defeat the Reagan proposal and succeeded in forcing the Administration to delay notification of its intentions to Congress. But the subsequent damage to Israel's image in the U.S., the *political standing of Mr* Reagan after his budget successes, and the threat of serious damage to American prestige in the Arab world if the deal fails to go through, may have been enough to blunt the edge of an anyway *slightly defensive Jewish lobby.*

A tactically astute Mr Begin could seek to use this setback as a demonstration of Israeli sympathy for America's international role and thus as a small lever in achieving another major objective—that of squeezing more civil and military aid from the Administration. It has *long been a source of wonder*ment to the wealthy Arab countries, who within the Middle East use cash as their principal diplomatic weapon, that Washington should claim to have all too little influence over Israel when during this fiscal year the total aid package is in excess of \$2.2bn. Mr Begin is likely to ask for *nearer \$3bn in 1982.*

However the impact of this week's talks in Washington will not be felt in the statements of the two leaders or in any decisions they may announce—it *will come principally through* the actions of Israel in the Middle East during the next six *months.* If Mr Begin continues to assert Israel's military superiority in the manner of the past weeks, it will be deemed to be with the blessing of the Reagan Administration, with all the implications that will have not just for the Middle East but for other areas in the world where the impact *of the new American real*politik is being felt.

Should Mr Reagan wish to *avoid that conclusion* being drawn, he will have little alternative but to act more decisively against Israel which is precisely what some Israelis fear. They, in common with members of the State Department and other Administration officials, believe it vital for Mr Reagan to spell out precisely *to Mr Begin the consequences* of Israel behaving in a way which damages American interests *in the Middle East* and that the U.S. alone can be the judge of what those interests are.

However, as these same people freely admit, there are two principal qualifications to such an approach. First, Mr Begin is the most consistent of Israeli politicians and is unlikely to be deterred, second, there is still no indication that Mr Reagan has thought through a Middle East policy *and will continue to react to* events imposed on him rather than attempt a longer-term strategy through which he might seek to control them. So long as Mr Begin knows precisely what he wants and Mr Reagan remains unsure of his objectives there is a better than even chance as our official put it "of the tail continuing to wag the dog."

Letters to the Editor

Make way for the young

From the Chairman, British Paper Company

Sir,—Your Lombard column (September 3) stresses the danger to the stability of Europe and the Western world of the present *and future levels* of unemployment. Fear not! It need never happen.

There are many people in industry and commerce who started full-time employment at 14 years of age. Many of these would be more than willing to make way for the young unemployed, if the retirement *policies of the Western nations* were drastically reviewed. This is not to suggest that retirement at 55 should be compulsory, but that it should be possible for those who have worked for 35 years and would like to take *life a little easier.*

It is difficult to imagine the leisured over-55s causing trouble on the streets or giving trouble to the police force. If there is a prospect of increased leisure for many, then surely it ought to be available first to those who have earned it and could use it wisely.

*I look forward to the possi*bility of being able to get the service of a part-time plumber or electrician who has given up full-time employment. The opportunities for the over-55s are endless. They have the skills for lots of part-time and voluntary work and would not need supervision.

It must be a better use of a state's money to subsidise those who would like to retire and thus to enable the young to embark on their careers in the new technologies.

Austin Pilkington.
The British Paper Company,
Frogmore Mill,
Hemel Hempstead,
Hertfordshire.

Consumer law and traders

From the Legal Adviser, Institute of Practitioners in Advertising

Sir,—This institute is becoming increasingly concerned at the difficulties the enforcement of consumer legislation is caus*ing honest traders.*

This legislation is enforced by local trading standards departments and over recent years they have been faced with an ever-growing body of highly complex law to police. These responsibilities however, have been given to trading standards officers with little or no consideration for the fact that they do not have the resources to adequately and uniformly enforce the law.

The result is that those traders who are taking great pains to comply with the law are finding that some of their competitors appear to be able to break the law with impunity and by so doing gain an unfair competitive advantage. If the law is to be respected *within the* trading world, Governments should not create new regulations unless *they are confident* that the resources exist for effective and uniform application.

The second major problem is that the undue complexity of our recent consumer law has caused substantial differences of interpretation between trading standards officers. Partly this is the result of badly drafted law attempting to deal with sophisticated trading practices, and partly it is the result of a localised and largely unco-ordinated enforcement service. The result is that it is increasingly difficult for traders to get clear advice as to what their legal obligations are.

Philip J. Circus.
44, Belgrave Square, SW1

Capital works

From Mr P. Selwyn

Sir,—Re David Marsh's article on budgetary cuts (September 2), Keynes argued 50 years ago that reductions in public spending had only a limited effect on budgetary deficits.

He reckoned that, in the circumstances of 1931, budgetary economies of £100m would reduce the Government deficit by no more than £50m. This reflected the effects of such cuts on levels of unemployment, *business profits, personal expen*diture and private investment.

He added: "At the present time, *all Governments have* large deficits. For Government borrowing of one kind or another is nature's remedy, so to speak, for preventing business losses from being, in so severe a slump as the present one, so great as to bring production altogether to a standstill. It is much better in every *way that the borrowing should* be for the purpose of financing capital works, if these works are any use at all, than for the purpose of paying doles . . ."

Percy Selwyn.
Royal Crescent Lodge,
Royal Crescent Mews,
Brighton.

Commercial decisions

From the Chairman, Leyland Vehicles.

Sir, — I refer to the letter "Garbled message" (September 1) from Mr Stammers re the confusion in many people's minds of the damage which buying foreign products does to the British economy. *While this is* certainly true with cars, it equally applies to imported *commercial vehicles.*

I find it particularly ironical that many of the country's largest retailing organisations—who surely must rely on the continued employment of the consumers of their goods — choose to deliver their goods in commercial vehicles which are manufactured outside the UK.

This is even more incomprehensible when one considers that some of these organisations *frequently make selling capital* in their stores out of their policy of "selling British."

I do not make this point on behalf of my own company alone, but on behalf of the hard-pressed British commercial vehicle industry as a whole.

R. J. Hancock.
35-38, Portman Square, W1.

Sport and its finances

From Mr M. Pettingell

Sir, — The article (August 29) by Ray Maughan on sport and its finances sets out the problems, but does not attempt to suggest solutions. Now that big-time sport is supposedly so professional, one would expect it to be far more business-like, but it seems still to be steeped in old-fashioned traditions. I think the difficulty can be summarised as "under-utilisation of assets."

Huge stadia and vast pre*mises are maintained, but used* only by a few, and exploited to acquire revenue for only a minimal time each week and in a limited part of a year. Sports like football and cricket require plenty of space. Faced with that unalterable fact, it is essential that good and remunerative use be made of that space. *The old idea of building* thousands of seats and lots of terracing round a football pitch and trying to pay for everything by putting on a brief show once or twice a week, is madness.

The answer must lie in commercial sports complexes, where as large a number of sports as possible are assembled in one area, providing as many facilities as possible for as many sportspeople as possible (*whether they be participants* or spectators). This could be on the grand scale, centred on top football or rugby clubs and county cricket, down to more humble district sports and leisure centres. Clubs could retain their identities and grounds within the complex, but work together to maximise use, interest and support.

Spectators and supporters would not just turn up for *matches, but be able* to use gymnasia, squash and badminton courts, the indoor soccer pitch, etc., built around and into the rear of stands. Sports shops, bookshops, children's playgrounds, picnic areas, coffee shops, take-aways; cafes, lounges, meeting rooms, etc., could all augment the sports *facilities.*

I invite you to imagine Bristol Rovers, Bristol City and Gloucestershire *County Cricket* Club linking up to form the basis of such a complex with spectating and participating support from the whole of the Bristol catchment area. Or imagine Notts County, Notts Forest and Nottinghamshire on the single vast site which they occupy even now. Less grandiose might be Orient, Leytonstone and Ilford, and Essex. Or Taunton and Somerset. Less spectacular, but probably more effective for the "ordinary sportsperson" would be the local sports and leisure centre. But the principle would be the same — maximum use and maximum interest, from which will come maximum revenue to *enable each club,* each complex and centre, to pay its way.

This must be the way to run sports in the future, and the way to make sport and sporting facilities pay for themselves.

Martin Pettingell.
55, Sherwood Park Road,
Sutton, Surrey.

Coping with inflation

From Mr J. Gardner

Sir,—Professor Brian Reddaway's comment in the interview with Anatole Kaletsky (August 27) that the economy "can cope pretty well with a steady inflation of 10 per cent or so," completely ignored the effect on those with fixed pensions, probably the great majority of those retiring from private industry.

A 10 per cent inflation rate means that the value of the pound halves every seven years, so a man retiring at 65 on say £8,000 pension today will find by the time he is 86, a not unusual age these days, his pension is only worth £1,000 in today's money. It is all very well for people on indexed linked *pensions, such as the Professor,* to say that a 10 per cent inflation does not matter, but for those of us on fixed pensions, inflation represents a breach of faith by the country.

The trouble is that too many power groups take the Professor's attitude that inflation does not matter. The unions do not *mind because they keep wages* well up with inflation. Employers do not mind because their prices go up and governments (except for Mrs Thatcher) do not mind because the debt is easier to service. Civil servants and people *like the Professor* have managed to push through indexed linked pensions which *are paid by the government on* "pay as you go" basis, that is from tax paid by everybody, indexed or not.

Professor Reddaway may say that 10 per cent inflation does not matter. To me and millions like me on fixed incomes, it is a real con trick. I am surprised that a man of such eminence would put his name to such a policy with not even token sympathy for those less fortunate than himself.

J. A. Gardner.
Long Gabreys,
Burtons Lane.
Chalfont St. Giles, Bucks.

Choosing a broker

From the Secretary, British Insurance Brokers' Association

Sir,—Mr Philip Lee (September 2) *is indeed right when* he says that when choosing an insurance broker or insurance consultant it is vital that the public should be sure that they are receiving impartial and proper professional advice.

While hesitating to say that his ideal world has arrived with its system of licensing with *appropriate educational stand*ards, the coming into force of the Insurance Brokers (Registration) Act on December 1 will mean that the insurance broking industry, which sponsored the Act, has at least set off on the road to that Utopia.

After December 1, no-one may hold themselves out to be insurance brokers unless registered with the Insurance Brokers Registration Council, the statutory body which administers the provisions of the Act. All registered insurance brokers have to satisfy the council that they meet certain high standards of expertise and financial soundness, and are qualified to give the public unbiased advice on insurance matters. Registered insurance brokers have to possess professional liability insurance and must adhere to the council's code of conduct which among other matters requires them to place the interests of their clients before all other considerations. This means that the broker represents the client rather than the insurer—an important point when pursuing a complicated claim.

B. J. Gibson,
Fountain House,
130 Fenchurch Street,
EC3.

Today's Events

GENERAL

UK: Annual conference of *Trades Union Congress opens,* Opera House, Blackpool—debates include relations between unions, employment law, and TUC structure.

Representatives from leading coffee producing countries begin full-scale talks in London with delegates from consumer countries.

Inflation - proofed national savings "granny bonds" on issue to everyone irrespective of age.

Sir Peter Parker, chairman of British Rail, and Mr Jimmy Savile at special ceremony to launch Railcards for disabled persons, Euston Station, London.

International conference opens in Cardiff to review Organisation for Economic Cooperation and Development project "The Handicapped Adolescent," South Glamorgan Institute of Higher Education.

Overseas: Two-day meeting of European Central Bankers opens, Basle.

Representatives from 35 Arab countries meet at the 15th annual session on planning for development, Kuwait.

Japan and Indonesia in discus*sions on alternative energy,* Jakarta.

OFFICIAL STATISTICS

Housing starts and completions (July).

Housing renovatiosn (second quarter).

COMPANY RESULTS

Final dividends: Land Investors. **Interim dividends:** Claverhouse Investment Trust. Metal Closures Group. Scottish Eastern Investment Trust.

COMPANY MEETINGS

See Week's Financial Diary on Page 16.

CITY OF LONDON LUNCHTIME MUSIC

St Lawrence Jewry-next-Guildhall, Gresham Street, EC2—Gillian Spragg, piano, 1 pm.

St Michael, Cornhill, EC3—Jonathan Rennert, organ, 1 pm.

St Anne and St Agnes, Gresham Street, EC2—Avenian Wind *Ensemble,* 1.10 pm.

St Martin Ludgate, Ludgate Hill, EC4—Mark Dane, organ, 1.15 pm.

St Andrew-by-the-Wardrobe, Queen Victoria Street, EC4—Timothy Day, organ, 1.15 pm.

Viners raising £1.45m in rights package

THE RIGHTS issue by Viners that is part of the agreed offer by a U.S. consortium to take over the Sheffield cutler, will raise a net £1.45m. In addition to underwriting the rights issue, the consortium, led by Mr Lucius Andrew, a U.S. citizen living in Seattle, is offering 2p per share for all the outstanding shares of Viners, valuing the company at £116,000.

According to the offer and rights issue document *published* today, the rights is on the basis of one unit of 50 new 1p shares at 3p per *share plus £1 of 10* per cent convertible redeemable secured loan stock at par for every 10 ordinary 10p shares held on September 28.

As announced last month, the board of Viners, its families and three institutional shareholders, have undertaken to provide enough shares so that the consortium will acquire more than 50 per cent of the company's ordinary share capital.

It is the intention of the consortium to strengthen the operations of Viners in its traditional areas, and to endeavour to maintain a listing for the existing ordinary and preference shares, and to seek listing for the rights units and new shares and convertible loan stock.

Viners reported a loss before tax in 1980 of £103,673 compared with a loss of £104,839 in 1979. Net tangible assets at the end of last year *amounted to £4.2m.* However, Midland Bank has indicated that the company's *borrowing facilities* would be continued only if, among other conditions, the offer is declared *unconditional* by September 30.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications *are not available as to whether dividends* are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Claverhouse Investment Trust, Metal Closures, Scottish Eastern *Investment Trust.*

Final:—Land Investors.

FUTURE DATES

Interims:—

Bemrose	Sept 16
Breedon & Cld. Hill Lime Wks.	Sept 18
British Aerospace	Sept 15
Delta	Sept 16
European Ferries	Sept 10
Expanded Metal	Sept 15
Guest Keen and Nettlefolds	Sept 17
Henriques (A.)	Oct 1
Higgs and Hill	Oct 7
Hurst (Charles)	Sept 24
Jersey Electricity	†Sept 24
Lilleshall	Sept 29
Lyon and Lyon	Sept 11
Matthews (Bernard)	Sept 15
Pentos	Sept 8
Portals	Sept 9
Sale Tilney	Sept 17
Sedgwick	*Sept 10*
Thurgar Bardex	Sept 10
Travis and Arnold	Sept 15
U.S. Debenture Corp.	Sept 16
Vickers	Sept 24
Waterford Glass	Oct 5
Wilkes (James)	Sept 14
Williams & James (Engineers)	*Sept 17*
Yule Catto	Sept 10
andSandou.:6E8 mlwy mlwyp lwypapap	
Finals:—	
Banks (Sidney C.)	Sept 16
Bell (A.)	Sept 29
Cantors	Sept 11
Heywood Williams	Sept 10
London Merchant Securities	Sept 15
Macallan-Glenlivet	Sept 18
Walker (J.) Goldsmith and Silversmith	Sept 16
Westpool Investment Trust	Sept 17

†Amended

Investment trust placing

Marine Adventure Sailing Trust, a new investment trust bringing together loan capital from a charity and equity capital from the public, is coming to the market by way of a placing of 750,000 £1 shares at par.

The Marine Society, a maritime charity that provides further education for merchant seamen, lightkeepers and fishermen, is subscribing for £300,000 in loan notes, and will be *entitled to* receive all the net income from the capital invested by the trust.

Shareholders will receive no income but will be entitled to all of any capital gain on the shares when *the company is wound up.* The articles provide for winding up in September 1988.

Marine Adventure will be managed by G.T. Management, and the investment policy will be to maximise capital appreciation consistent with an overall gross yield initially of 5 per cent per year, after expenses and interest but before tax.

The placing is being made by G.T. Management, Greene and Co., Sheppards and Chase and *Charles Stanley and Co. Brokers* to the placing are Cazenove.

● comment

● Marine Adventure Sailing *Trus is G.T. Management's second* foray into this type of dual-purpose trust. When the first, Child Health Investment Trust, was launched in January 1980, it was assumed that charity would be the main motivating *force* and equity investors would have to wait a long time to see some capital gain. However, the Child Health £1 shares are now quoted at 173p. The compulsory winding-up provision, which has been incorporated in Marine Adventure too, was intended to prevent a big discount from asset value occurring, and it seems to have worked, as Child Heath assets are about 180p per share. Strong stock markets have also helped. *Marine Adventure* has a larger base than Child Health but the proportions of loan and equity capital are the same. For high rate taxpayers, this trust has obvious attractions.

HOLLAS ISSUE

The Hollas Group has issued 250,000 ordinary shares to Mr Merton Lewis and members of his family as further consideration for the acquisition of *Thrells (which was completed* on April 10, 1980).

Further consideration may be payable dependent on the profits of Thrells for the financial years *up to March 31, 1985.*

BARRY RILEY EXAMINES THE POWER STRUGGLE AT F. H. LLOYD

Looking for an end to the tug-of-war

A FIRM of headhunters has now been *hired* to find a *new* non-executive chairman for F. H. Lloyd, the Midlands steel and engineering company which has been the scene of a tug-of-war between representatives of Cooper Industries, another Midlands steel processing company, and institutional shareholders.

The new chairman's task will be to reconcile the interests of Cooper Industries, which has a stake of 28.5 per cent in Lloyd's equity, with those of the existing executive directors of Lloyd and with those of outside shareholders.

Last week Lloyd issued a statement revealing that a group of investment institutions had intervened following the action taken by Cooper in recent weeks to strengthen its hand at Lloyd. It has been agreed that in due course the present chairman, Mr Robert Foster, will step down in *favour of a new appointee, and* that further non-executive directors will be recruited. Two *Cooper appointees have resigned.*

The institutions, including Britannic Assurance, the Birmingham-based *life* office which has a 6.3 per cent stake in Lloyd, have been concerned that Cooper has been *taking* effective control of the substantially larger Lloyd company.

According to the company's statement, the intention is that the new board will be "clearly representative of all shareholders in the company and accountable to them."

The relationship between Lloyd and Cooper goes back some years, through the joint ownership of a steel mini-mill. Following Lloyd's proposal to develop a new mini-mill at Wednesbury, it was decided that the partnership was no longer appropriate and last December Lloyd agreed to pay Cooper £2m for its half-share in the first project.

Immediately, Cooper used much of the money to mount a raid on Lloyd's shares, and according to last month's preliminary statement from Cooper the stake in Lloyd is now regarded as being of "considerable long-term benefit." The statement also revealed a pre-tax loss of around £1m.

In fact Cooper's stake in Lloyd is now worth more than half its own stock market capitalisation of a little over £4m. In all, Lloyd is valued at over £9m by the stock market.

Once it had acquired a substantial minority stake, Cooper set *about strengthening its position* in other ways. Already Mr Foster was regarded as being a *close personal friend of Mr John* Cooper, the chairman of Cooper. He and his managing director *Mr Derek Jones went* on to the board of Lloyd, and subsequently Mr Jones replaced the chief executive of Lloyd, *Mr Frank* Clymer, who resigned suddenly in July.

Events came to a head with a stormy annual meeting at the end of July when Cooper blocked the re-election of two of Lloyd's executive directors (though they were subsequently reinstated) and an ensuing board meeting at which City solicitor Mr Ronald Middleton failed to succeed to the chairmanship *as had* been expected. He remains on the board as a non-executive director.

Faced with Cooper's apparent determination to dominate the Lloyd boardroom, institutional shareholders in Lloyd were alerted and set up a four-man case committee of the Investment Protection Committee of the British Insurance Association.

Following the events at the end of July, the Lloyd board consisted of ten directors of which five were either Cooper representatives or—in the cases of Mr Foster and Mr James—were thought to have personal links with Mr John Cooper. By this time, however, Mr Jones had resigned all his formal responsibilities at Cooper.

It is not unusual for IPC case committees to look into the affairs of individual companies, but it is not often that they act so *swiftly* or with such obvious effect. The committee arranged a meeting with Mr Foster and a Cooper *representative* and a major reshaping of the board was agreed.

According to Mr *Frank* Weavers, investment manager of Britannic, the meeting was "*very friendly.*" At the *same* time, it would apear that the institutions—who represent, in *all, holders* of some 38 per cent of the Lloyd equity—made it very plain that they were highly dissatisfied with developments at the company.

With the departure of two Cooper representatives, Mr Denis Parker and Mr Cedric Drew, the balance of power has been *shifted away from the* Cooper camp. It will shift further when the new chairman and other *non-executive* directors are recruited—the build-up of outside representation on boards *being a primary* objective of institutional investors for all companies, as a means of safeguarding the interests of outside holders.

There are several views about what happens next. According to Mr Weavers, the institutions will now "wait with interest to find which chairman they appoint." One well informed observer in the Midlands suggests: "It's all over bar the shouting." But another inside view is that the boardroom balance remains unstable.

Meanwhile the institutional representatives retain their traditional reluctance to comment, and are certainly not keen *to promote the affair as an* example of institutional interventionism.

Mr Weavers insists that such matters should be handled quietly and in abundant confidence. "We don't want banner headlines. Publicity is self-defeating."

Downturn at Edward le Bas

TAXABLE PROFITS of Edward Le Bas fell from £164,000 to £100,000 *in the half year to June* 27, 1981, on lower sales of £6.22m compared with £7.64m.

Earnings per share of this manufacturer of foundation equipment for civil engineering construction are stated at 2.83p (2.7p) per 25p share. The company was acquired by Burch Holdings—itself 76 per cent owned by Le Bas Investment Trust—in October 1980.

Pre-tax profits were struck after interest of £256,000 (£340,000) and tax took £14,000 (£80,000).

FT Share Information

The following securities have been added to the Share Information Service:—

Aluminium Co. of America (Alcoa) (Section: Americans).

Carrian Group (Banks).

Nationwide Building Society 14¾% Bonds 11/8/82 (Loans—Building Societies).

Welsh Industrial Investment Trust (Investment Trusts).

Jones Stroud optimistic

ECONOMIES MADE by Jones Stroud (Holdings) together with the lower cost of borrowing should enable the group to produce better results in the current year though full recovery is still some way off Mr Philip L. Jones, chairman, says in his annual statement.

The directors are assuming there will be no dramatic recovery in the economy and are therefore budgeting for a similar level of business suffered last year.

As reported in July, this manufacturer of fabrics, accessories and materials for the textile and electrical industries, made sharply lower taxable *profits in the year to March 31* 1981 of £1.31m as against £2.06m.

The group has spent a great deal of time and money endeavouring to reduce costs to a level of the orders available to it, and therefore margins have not been as *seriously* impaired as the directors at first feared. However they still have *to achieve a margin on sales* which will allow re-equipment and expansion in the future and reduce *borrowings to a level* where high interest rates will not have so great an impact in adverse conditions, *Mr Jones* says.

At the year end shareholders' funds were higher at £11.6m (£10.97m) and fixed assets were *valued at £7.62m (£7.61m).* Net current assets came out at £3m (£3.05m) including bank borrowings of £4.36m (£5.65m).

SPAIN

1981 High	1981 Low		Sept. 4 Price %
388	251	Banco Bilbao	388
395	280	Banco Central	393
436	229	*Banco Exterior*	415
346	239	Banco Hispano	341
128	120	Banco Ind. Cat.	120
410	284	Banco Santander	398
247	148	Banco Urquijo	247
400	283	Banco Vizcaya	400
283	204	Banco Zaragoza	283
223	82	Dragados	217
81	45	Espanola Zinc	76
74.2	55.5	Fecsa	74
65	22	Gal. Preciados	63
88	63.5	Hidrola	86.2
62.5	52	Iberduero	59
128.7	70	Petroleos	128.7
85	70	Petroliber	83
102	54	Sogefisa	54
87	60	Telefonica	88
80	60	Union Elect.	79.7

QUEST AUTO

Acceptances have been received *in respect of 97.25 per* cent of the 1.27m shares of Quest Automation offered in a one-for-*10 rights issue at 190p per share.*

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY ALAN FRIEDMAN

An excess of issues from Japan

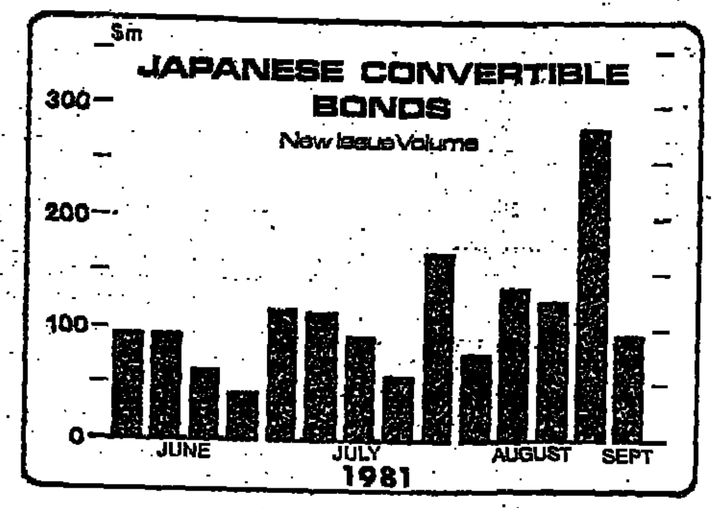
THE BIG story in the Eurobond market last week was the crash of Japanese convertibles. While Wall Street and Zurich were also suffering through one of the worst weeks this year, the Eurodollar bond market was dominated by the news of significant setbacks in both the primary and secondary markets for Japanese issues.

Last week's events came in the wake of a rush by Japanese companies to raise capital on European markets. Since June of this year, a total of around $1.5bn has been raised by Japanese companies in dollar, sterling and Swiss Franc denominated bonds.

The attractions for Japanese companies are several. First, the ability to issue a bond convertible in Tokyo equity with a coupon of between 4½ and 6 per cent has been tempting. While a straight dollar issue might cost the borrower more than 15 per cent, the comparatively low convertible coupon is inviting.

Second, Japanese companies like to have overseas shareholders and the convertible is a handy way of attracting this market. Nippon Electric, for example, which this week launches a £40m sterling convertible, reckons that 8.7 per cent of its shares are held by European investors.

Third, the Japanese Ministry of Finance has, until recently, encouraged major companies to borrow abroad. Finally, the launch and lead management of issues is a way for Japanese security firms to create a presence for themselves in the international capital market.



Thus, the number of Japanese companies launching convertibles has risen sharply (as the chart shows). But last week fears grew that the Japanese were rushing to the market too quickly.

The Eurobond market was beginning to brace itself for an astonishing influx of around 30 issues a month, to run from September to November. There were signs that the Japanese were intending to raise between $2.5bn and $3bn on top of the $1.5bn of the past three months.

Toward the end of last week both the Japanese Government and leading managers decided that enough was enough. The market, not in the best of health, simply could not absorb the volume.

The Ministry of Finance in Tokyo began sending signals to leading Japanese security houses to refrain from moving too fast. Simultaneously, several leading managers in London took the unusual step of threatening to withdraw from new issues unless the terms were modified and the volume was stemmed.

On Friday Credit Suisse First Boston and Nomura (as co-lead managers) advised Toshiba Corporation to postpone its planned $100m convertible. Tomorrow it is very possible that several managers may withdraw from the $100m Sanyo Electric issue unless it too is postponed.

The same fate could befall the $30m convertible from Settsu Paper Board, which is due to be priced this week.

Minolta Camera bravely saved face last week when poor market conditions affected its recently launched 15-year convertible with a 5 per cent coupon and lead manager, Daiwa Europe, announced on Friday the reduction of Minolta from $50m to $40m.

Elsewhere in the Eurodollar sector an issue with a record 17¼ per cent coupon for the Province of Newfoundland was launched on Friday by lead managers Crédit Commercial de France and Dominion Securities. The eight-year issue, to raise $60m, came just two days after the pricing of a $150m Cities Service seven-year issue lead managed by CSFB.

The Cities Service issue was well received and provided a 17 per cent coupon. But the rest of the Eurodollar bond sector was in the doldrums and volume was very light as traders marked prices down ½ point.

In the Deutsche Mark sector, last week also saw a record 11 per cent coupon as the World Bank launched a DM 100m private placing through DG Bank. The 10-year bond was priced at 99½.

In the Swiss Franc sector, inflation and interest rate worries sent bond prices down 2½ points on the week. At the beginning of last week the Swiss National Bank raised the discount rate by one percentage point to six per cent and then declared it would fight inflation with higher interest rates.

By last Thursday there were indications of a squeeze on bank liquidity in Zurich and the 3-month Eurofranc rate headed above 10 per cent (a one percentage point rise on the week).

Then, to close the week, the national inflation statistics showed a 7.4 per cent consumer price rise on an annualised basis.

All of this was a cold shower for the Swiss and terms had to be sweetened on four issues. The SwFr 100m ten-year issue from Philips Lamp had its subscription period extended to September 8 and its coupon increased from 7¼ to 7½ per cent. At 99½ the yield was 7.57 per cent.

The coupon was also increased on the SwFr 100m ten-year issue from the European Investment Bank, from 7½ to 7¾ per cent. The issue price was reduced to par from an expected 100¼.

The third coupon increase came from the SwFr 75m ten-year issue for SHV, the Dutch coal and gas company. It was priced at par and the coupon was increased from the envisaged 8 per cent to 8¼ per cent. Lead manager is the Union Bank of Switzerland.

The Kingdom of Belgium's SwFr 100m five-year private placement had its coupon raised by ¼ per cent to 8¼ per cent. Finally, the sceduled issue for Nippon Yusen, the Japanese shipping company, was postponed. The SwFr 100m convertible was to have been lead managed by Credit Suisse.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡§JACCS Co.	25	1996	15	5¼	100	Yamaichi Securities	5.500⊕
‡§Fujitsu Fanuc	50	1996	15	4½	100	Nikko Secs.	4.500
§Sumitomo Metal Inds.	50	1996	15	5¼	100	Kidder Peabody, Nomura, Daiwa, Sumitomo	5.250
†Korea First Bank	30	1989	—	7½⊕	100	Merrill Lynch, Chase Manhattan	7.641⊕
§Minolta Camera Co.	40	1996	15	5	100	Daiwa Securities	5.000
§Sanyo Electric	100	1996	15	5	100	Yamaichi Secs., Schroder Wagg, Nomura Intl.	5.000
‡Cities Service Co.	150	1988	7	17	100	CSFB	17.000
§Tsumura Juntendo Inc.	30	1996	15	5¼	100	Nikko Secs.	5.250
†Leumi Intl. NV	60	1988/91	—	6⊕	100	Bank Leumi UK	6.060⊕
GTE Finance NV	50	1985	4	16½‡‡	99½	Blyth Eastman Paine Webber, Chem. Bk.	16.429
†Korea Exchange Bank	30	1988	5	7½⊕	100	CSFB, Mfrs. Hanover, Saudi Intl.	7.641⊕
‡CPC Finance NV	50	1988	7	16¾	100	Salomon Bros.	16.750
Niagara Mohawk Power (g'teed Credit Ly'nais)	50	1989	8	17	*	Salomon Bros., Merrill Lynch, Cr. Lyonnais	*
§Settsu Paper Board	30	1996	15	5½	100	Daiwa Securities	5.500
†Credit Foncier de France	75	1988	7	5¼⊕	100	Nat. Bk. of Abu Dhabi, BNP	5.319⊕
Prov. of Newfoundland	60	1989	7.3	17¼	*	CCF, Dominion Secs.	*
D-MARKS							
‡World Bank	100	1991	10	11	99½	D.G. Bank	11.085
SWISS FRANCS							
‡EIB	100	1991	—	7¾	100	Banque Gutzwiller	7.750
‡Philips Lamps NV	100	1991	—	7½	99½	Credit Suisse	7.573
‡**Kingdom of Belgium	100	1986	—	8¼	100	Kredietbank (Suisse)	8.250
SHV Holdings NV	75	1991	—	8¼	100	UBS	8.250
§**Sanyo Electric	200	1986	—	4½	100	Credit Suisse	*
**Bayernwerke	25	1985	—	8	100	Credit Suisse	8.000
**Credit Suisse (Luxem.)	25	1985	—	7½	100	Credit Suisse	7.500
YEN							
‡City of Oslo	15bn	1993	9.06	8.6	99½	Nikko Securities	
SDRs							
†Ferrovie dello Stato	100	1985	4	5⊕	100	Dillon Read, Orion Royal Bank	5.062⊕
KUWAITI DINARS							
Swedish Export Credit	7	1986	5	10	*	KIIC	11½
ECUs							
Hydro-Quebec	40	1988	7	14½	*	Kredietbank Intl.	*

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate note. ⊕ Minimum. § Convertible. ‡‡ With warrants.
†† Registered with U.S. Securities and Exchange Commission.
Note: Yields are calculated on AIBD basis.

CREDITS

BY WILLIAM HALL AND FRANCIS GHILES

Pemex fattens up again

AFTER DECADES of decline, the traditional bill on London, once one of the main financial instruments in international trade, is staging a powerful comeback as foreign borrowers begin to tap the fledgeling syndicated sterling acceptance credit market.

Last week, Agip, the Italian state oil company, completed a £150m revolving acceptance credit through managers S. G. Warburg and Soditic International and Pemex, Mexico's state oil and gas company, raised £350m with a deal arranged by Samuel Montagu, Baring Brothers and N. M. Rothschild and Sons. Both transactions are tied to underlying trade transactions and will involve the issue of hundreds of commercial bills with face value of between £100,000 and £1m.

The sterling acceptance credit market amounts to some £5.4bn and until recently has been dominated by domestic UK borrowers. However, the abolition of exchange controls in 1979 and last month's decision by the Bank of England to double the number of banks whose bills are eligible for discount at the Bank, has widened the market considerably. The Pemex and Agip deals, demonstrate that there are sizeable sums available in the London market.

Both borrowers are paying a half on one per cent annual commission. The Pemex credit runs for two years with options for two further two year extensions. The Agip credit is for five years.

The attraction for many of the banks involved is that the provision of an acceptance facility does not necessarily mean they have to provide the funds themselves. The paper is often sold in the London discount market to investors such as corporate treasurers.

In sharp contrast to the warm welcome afforded to the sterling acceptance facility for Pemex, the hybrid loan-note facility for the same borrower, which European Banking Company is putting together, is moving very slowly. The management group was initially expected to be completed more than two weeks ago but there was no indication, last Friday, of when that day may come.

Bankers explained the fate of EBC's $500m facility by the fact that it is much less lucrative to the lenders than the sterling facility — which one banker close to Mexico claims was the "most lucrative deal for this borrower in a very long time."

Elsewhere in Latin America the $500m seven-year loan for the Republic of Argentina, for which Lloyd's Bank International and Bank of America are acting as agents, is expected to be increased to $600m.

U.S. BONDS

BY PAUL BETTS

Worries over long-term outlook

WALL STREET took the long Labor Day holiday weekend to sit back and forget all about the bond market which is continuing to sink to greater depths of depression.

The market's mood was illustrated late on Friday when most dealers had disappeared to their weekend hideaways and the few of those who remained shrugged off indifferently a slightly greater than expected rise in the latest money supply figures showing M1-B, the most widely watched weekly measure, rising by $1.5bn.

The market is preoccupied with the intermediate and long-term outlook. It is focusing on the Treasury's heavy borrowing requirements which it is convinced will send the Federal deficit for fiscal 1982 far higher than the $42.5bn target of the Reagan Administration. It believes that there is still considerable seasonal short-term corporate demand as well as substantial future corporate funding requirements which will inevitably clash with the Treasury's voracious appetite for new debt.

In the present climate, the long-term bond market, now at record highs, has virtually been shut down. The corporate calendar in August totalled a meager $1bn and on the sidelines there is a backlog of some $7bn of corporate issues waiting to come to market when conditions improve.

A measure of the state of the long market was a $75m issue by a Bell Telephone subsidiary of 39-year triple 'A' debentures which were sold at a yield of 17.10 per cent. This is the first time the Bell system has offered a blue ribbon long-term debt security yielding more than 17 per cent. Later this month, Southwestern Bell is expected to sell $300m of 40-year debentures. The market is already speculating on the yield.

Other records were broken. The Treasury sold $4.75bn of one-year bills at an average rate of 15.06 per cent. Last month a similar issue was sold at an average of 14.54 per cent.

Although the market is generally moribund, the right rate, if corporations are prepared to pay it, will attract buyers. A $250m issue of 17¾ per cent ten-year debentures offered by Hydro-Quebec, a Canadian utility was quickly sold out when the double 'A' securities came to market last week, priced to yield 17.40 per cent.

U.S. INTEREST RATES (%)

	Week to Sept 4	Week to Aug 28
Fed Funds wkly avge	17.32	16.91
3month Treas. bills	15.60	15.50
3-month CD	17.85	17.85
30-year Treas. bond	14.84	14.52
AAA utility	17.13	16.88
AA industrial	16.38	16.25

Source: Salomon Bros.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	86½	87	−0¼	−1	16.72
CIBC 14½ 84	185	94¾	95¼	−0⅛	−0⅛	16.93
CIBC 15¾ 86	75	96	96½	−0⅛	−0¼	16.38
CNA 15¾ 96	75	89⅞	90⅜	0	−0⅛	17.08
CNE 12⅜ 91	100	80¼	80¾	−0¼	−0½	18.98
Citicorp Int. Fin. 15 86	150	95⅞	96⅞	−0⅛	−0⅛	16.33
Citicorp O/S 15½ 84	175	98	98½	−0⅛	+0⅛	16.24
EEC 14¼ 93	65	89⅛	89⅝	−0⅛	−0⅜	16.84
EIB 12¾ 89	75	83⅛	83⅝	−0⅛	−0⅛	16.89
Eldorado 13¾ 86	50	89⅛	89⅝	−0⅛	−0⅛	16.69
Elec. de France 13 88	125	85½	86	0	−0⅛	16.75
Fed. Bs. D. 15¾ 84 (J)	40	98⅜	98⅞	−0¼	+0⅛	15.43
Fin. Exp. Credit 10½ 85	80	81⅝	82⅛	0	+0⅛	17.32
Finland, Rep. of 9½ 86	100	76¾	77¼	0	+0⅞	17.14
Ford Cr. O/S Fin. 16 84	150	99	99½	−0½	−0¼	16.24
Ford Cr. O/S Fin. 16 85	150	96⅞	97⅜	0	−0⅛	17.02
Gaz de France 13½ 86	80	89½	90	0	+0⅛	16.92
GMAC O/S Fin. 12⅞ 88	100	85½	86	−0⅛	−0⅜	16.59
GMAC O/S Fin. 14¾ 87	100	92⅜	92⅞	0	−0⅛	16.82
Genstar 14¾ 91	50	93¼	93¾	+0⅛	0	16.07
Hiram Walker 16 86	50	100⅛	100⅝	−0⅛	−0⅛	15.81
IBM Wld. Trade 12½ 88	200	89⅝	90⅛	0	−0⅜	15.01
IBM Wld. Trade 14¾ 84	100	99⅝	100⅛	−0⅛	+0⅛	14.67
IBM Wld. Trade 14¾ 85	60	98½	99	0	−0⅛	15.17
Nat. Bk. Canada 15¾ 84	40	97¼	97¾	−0⅛	+0⅛	16.35
Newfoundland 13½ 90	60	86	86½	−0⅛	−0⅛	16.59
Nova Scotia 15 91	75	92¼	92¾	−0⅛	−0⅛	16.56
Ontario Hydro 13½ 91	100	86⅛	86⅝	0	−0⅛	16.32
Pacific Gas Elec. 16 88	75	100½	101	−0⅛	−0⅛	15.79
PSNH Int. Fin. 17 86	30	98	98½	−0⅛	+0⅛	17.64
Queb. Hy. 13 91 (WW)	100	80¾	81¼	−0⅛	−1⅛	17.15
Royal Bk. Canada 14 86	100	92⅜	92⅞	0	+0⅛	15.31
SNCF 13 91	75	84⅛	84⅝	−0⅛	−0⅜	16.30
Shell Canada 15¾ 91	100	98	98½	−0⅛	+0⅛	16.11
Sth. California 14 87	50	93⅞	94⅜	−0⅛	+0⅛	15.68
Sth. California 14¼ 88	50	94	94½	−0⅛	+0⅛	16.16
Sven. Handlsbk. 13¾ 88	45	88⅛	88⅝	−0⅛	+0⅛	16.68
Swed. Ex. Credit 13 86	75	87⅛	87⅝	−0⅛	0	17.27
Swed. Ex. Cred. 15⅝ 88	50	95½	96	−0⅛	−0⅛	17.05
Toronto-Dom Bk. 14 84	50	94	94½	+0⅛	+0⅛	16.77
Tribune O/S Fin. 14 86	50	91⅜	91⅞	−0⅛	−0⅛	16.71
Wells Fargo Int. 15½ 84	50	97⅞	98⅛	0	0	16.42
World Bank 14¾ 86	500	92⅛	92⅝	0	−0⅛	16.75
World Bank 16 88	210	97¾	98¼	0	+0⅛	16.56
World Bank 16 88	80	97¾	98¼	0	+0⅛	16.46

Average price changes... On day −0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	95	95¾	+0⅛	+1	10.78
Austria Rep. of 8¼ 92	150	84¼	84¾	−0⅛	0	10.70
CECA 7⅞ 92	150	84	84¾	0	+0⅛	10.32
CECA 10 91	120	97¼	97¾	+0⅛	+0⅛	10.41
CII-Honeywell 8⅜ 90	125	84⅝	85	−0⅛	−0½	11.18
Council of Europe 10 91	100	96½	97¼	+0⅛	−0⅛	10.51
EIB 8½ 90	200	87¼	88	+0⅛	−0⅛	10.68
EIB 10½ 91	200	98¼	99	0	+0⅛	10.71
ESCOM 9¾ 87	100	89¾	90	+0⅛	0	11.69
Finland, Rep. of 10 88	100	96½	97¼	−0⅛	+0½	10.59
Iberduero SA 9 90	100	89¾	90½	−0⅛	−0⅛	10.77
Ind.-Bk. Finland 8½ 90	50	88	88¾	+0⅛	+0½	10.53
Int.-Am. Dv. Bk. 10 91	100	95	95¾	−0⅛	−0⅛	10.78
Japan Air Lines 8¼ 87	100	90¼	90⅞	0	+0⅛	10.26
Japan Dev. Bk. 7⅝ 87	100	87⅛	88⅛	0	+0⅛	10.48
Kobe, City of 8 90	100	85	85¾	−0¼	+0⅛	10.52
Midland Int. Fin. 8½ 90	180	87½	88¼	−0⅛	−0⅛	10.63
Nuclebras 9¾ 86	100	86⅛	87	+0⅛	+0⅛	12.74
OKB 8¼ 92	150	81	81¾	0	−0⅛	11.31
Oslo, City of 8¾ 90	80	89½	90	+0⅛	+1	10.62
Renault Acc. 10¼ 86	150	97¼	97⅞	+0½	+0⅛	11.43
Venezuela, R. of 9¾ 90	150	93⅛	93⅞	+0⅛	0	10.89
World Bank 8 90	700	83¾	84½	−0⅛	−0½	10.86

Average price changes... On day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	91	91⅛	−0⅛	+0⅞	7.84
BFCE 6½ 91	100	†90	90½	−0⅞	−2½	8.00
Bayer Int. Fin. 5¾ 92	100	82⅛	82⅝	−0½	−4½	7.66
Belgelectric Fin. 7¾ 91	100	97	97¼	0	−1¾	8.18
Bergen, City of 6¾ 91	40	84¼	84¾	−1⅛	−3¼	7.57
CECA 6¾ 91	80	†93	93½	−1	−1⅛	7.78
Denmark 5¾ 90	80	83½	84	−1⅛	−1⅛	8.43
Dome Petroleum 5¾ 91	100	†83	84	−1⅛	−6⅛	8.33
Dome Petroleum 7¼ 90	100	98¾	99	−0⅛	−1	7.42
Elet. de France 5¾ 90	100	79¼	79½	−1½	−3⅛	8.62
Eurofima 5⅝ 92	80	†95	95½	0	0	6.36
Finland, Rep. of 5⅝ 90	80	†78	78½	−3⅛	−4½	9.11
Franc. Petroles 6½ 91	80	85¼	85½	−2⅛	−5⅛	8.81
Genstar 7 91	100	†95	96½	−1⅛	−3	7.55
Int.-Amer. Dv. Bk. 7 91	100	95⅛	95½	+2⅛	−1⅛	7.69
Japan Dev. Bank 5½ 90	100	85	85¼	−7⅛	−7⅛	8.12
Mt. Blanc Tunnel 5½ 90	80	†83	83½	+0⅛	−1⅛	8.20
Neweg 5¾ 90	80	†88½	89	+0⅛	−0⅛	7.53
OKB 7 93	100	96	97	−0⅛	−0⅛	7.45
Oslo, City of 5⅞ 90	80	†85	86	−1	−1⅛	8.19
Philips Lamps 5¾ 92	100	81	81¼	−0½	−4	7.88
Swed. Ex. Credit 7¼ 91	75	94½	96	+0½	+0⅛	8.04
Trade Dev. Fin. 5⅝ 90	50	87½	88	0	+1½	8.09
Voest-Alpine 5⅞ 90	80	84½	85	−0⅛	+0½	8.20
World Bank 6 91	100	85½	86½	−1½	−2⅛	8.17
World Bank 7 90	100	96	96¼	−0⅛	−2½	7.62

Average price changes... On day −1 on week −2⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	96¾	97¼	0	0	8.67
Australia 6¾ 88	20	84⅞	85⅞	0	0	9.53
EIB 7¼ 89	12	93¼	94¼	0	0	8.87
Finland 6.8 88	10	84¾	85⅞	0	−0¼	9.89
Finland, Rep. of 6⅞ 87	15	95⅞	96⅞	0	−0⅛	8.20
New Zealand 8⅞ 87	15	97	98	0	+0⅛	8.93

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	†82½	83½	0	0	15.86
CIBC 13½ 85 C$	60	†90½	91½	0	+0½	16.88
CIBC 11½ 85 C$	80	†85	86	+0½	+0½	16.87
Federal Dev. 11½ 90 C$	60	†76	77	+0½	+0½	16.75
Fst. Can. Inv. 10 84 C$	50	†82½	83½	0	0	18.47
R. Bk. Canada 10 86 C$	40	†82	84	0	−1	15.29
Tordom Cpn. 13½ 85 C$	30	†92½	93½	0	+1½	16.08
M. Bk. Dnmk. 9 91 EUA	25	82½	83½	0	−2¼	11.95
SOFTE 9¾ 89 EUA	40	79¾	81	0	−0⅛	12.35
U. Bk. Nwy. 9¾ 90 EUA	16	88½	89½	+0¼	−1	11.58
Algemene Bk. 10¼ 86 Fl	60	92½	93	0	+0¼	12.41
Amro Bank 12 86 Fl	75	98½	98¾	−0⅛	−0⅛	12.40
Heineken NV 10 87 Fl	100	90½	91	0	−0⅛	12.29
Nat. Nedrindn. 10 88 Fl	50	93¼	93¾	−0⅛	+0⅛	11.49
Ned. Midd. Bk. 10 88 Fl	75	93½	94	0	+0½	12.04
Pierson 10½ 86 Fl	50	91⅝	92⅛	−0½	0	12.89
Rabobank 12 86 Fl	50	98	98½	0	0	12.47
Air France 14¼ 86 FFr	200	89⅛	90⅛	+0⅛	+0¼	17.89
Bk. America 14½ 86 FFr	250	88⅞	89⅝	−0⅛	−0⅞	18.06
Charb'nages 13⅞ 85 FFr	400	87⅞	88⅛	0	−0⅞	18.10
EIB 14¾ 88 FFr	300	85⅝	86⅝	−0⅛	−0¼	17.88
La Redoute 14¾ 85 FFr	125	85⅞	86⅞	+0¼	−0⅞	18.21
OKB 14 86 FFr	400	87¼	88½	0	−0⅛	18.05
Solvay et C. 14¾ 86 FFr	200	90⅞	91⅞	−0⅛	−1⅞	17.66
Swed. E. Cr. 14⅜ 86 FFr	250	86	87	+0¼	+1	19.20
U. Mex. Sts. 14 85 FFr	150	87⅛	88⅛	+0⅛	+0½	18.81
Acona 14 85 £	20	92⅛	93⅛	0	0	16.48
Beneficial 14¼ 90 £	20	83¼	84	−0⅛	−0⅛	17.95
BNP 13½ 91 £	15	85⅜	86	0	0	16.57
CECA 13½ 88 £	20	88⅛	89	0	0	16.28
Citicorp O/S 13½ 90 £	50	89⅛	90⅛	0	−0⅛	15.73
Fin. Ex.-Cred. 13¼ 86 £	15	92⅛	93⅛	0	0	16.02
Gen. Elec. Co. 12½ 89 £	50	85¼	86⅛	+0⅛	+0⅛	15.81
Hiram Walker 14⅝ 86 £	25	93⅛	93⅞	0	−0⅛	16.28
Privatbanken 14½ 88 £	12	90⅛	91⅛	0	−0⅛	16.85
J. Rothschild 14⅛ 90 £	12	93	93¾	0	+0⅛	15.66
Royal Trustco 14 86 £	12	93	93¾	0	+0¼	16.10
Swed. Ex. Cr. 13⅜ 86 £	20	92⅛	93⅛	0	+0¼	16.04
Akzo 9¾ 87 LuxFr	500	88⅛	89⅛	0	−0⅛	11.82
Euratom 9¾ 88 LuxFr	500	86⅛	87⅛	−0⅛	+0⅛	12.87
Eurofima 10½ 87 LuxFr	500	88⅛	89⅛	−0⅛	−0⅛	13.31
EIB 9¾ 88 LuxFr	600	85⅛	86⅛	0	0	13.11
Volvo 9⅞ 87 LuxFr	500	84½	85½	−0½	−0⅛	13.42

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98⅛	98⅞	18/12	16¼	16.98
BBL Int. 5 86	0¼	99⅛	99⅝	20/11	18.31	18.40
BNP 5½ 88	‡0¼	99⅛	99⅜	29/10	18.81	18.91
Christiania Bk. 5½ 91	‡0¼	98½	99	5/11	19.19	19.43
Citicorp O/S Fin. 84	‡0	99⅜	99⅞	30/8	19.19	19.28
C. Itoh 5¼ 87	0¼	99¼	99¾	18/9	15.44	15.52
Co-operative Bk. 5 88	0¼	99½	100	15/11	19.56	19.61
Den Norske Credit 6 90	‡0¼	99	99½	5/11	19.19	19.33
Genfinance 5¼ 87	0¼	98⅞	99⅜	30/10	16.94	17.04
Genfinance 5¼ 92	0¼	99	99½	30/12	18.31	18.45
Giro und Bank 5¼ 91	‡0¼	99	99½	23/9	19.06	19.21
GZB 5⅜ 92	‡0¼	98½	98⅞	5/9	17¼	17.51
Ind. Bank Japan 5¼ 88	0¼	99⅛	99⅝	9/10	16.44	16.54
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅜	6/1	13⅝	14.03
Lloyds Eurofin 5¼ 92	0¼	96⅜	96⅞	4/12	17.44	17.68
LTCB Japan 5¼ 86	0¼	99⅛	99⅝	13/12	17⅛	17.36
LTCB Japan 5½ 89	0¼	99	99½	18/1	18.32	18.46
Man. Hanov. O/S 5¼ 94	‡0¼	99⅛	99⅝	30/11	19⅛	19.45
Merrill Lynch O/S 87	‡0¼	100⅛	100⅝	9/11	19.06	18.89
Midland Int. Fin. 5¼ 92	0¼	98½	99	5/12	17⅛	17.59
Midland Int. Fin. 5 91	0¼	98½	99	30/10	16.81	17.03
Nacional Fin. 6¼ 86	0¼	98⅛	98⅝	25/1	19⅛	19.42
Nacional Fin. 5½ 88	0¼	97¼	97¾	25/8	14⅞	15.28
Nat. Bk. Canada 5¼ 88	0¼	98⅞	99⅜	24/9	14½	14.63
Nat. West. 5½ 94	§0¼	98¼	98¾	14/10	16.19	16.43
Nat. West. Fin. 5¼ 91	§0¼	98⅞	99	15/1	18⅛	18.35
Nat. West. Fin. 5¼ 92	§0¼	98¼	98¾	23/10	16.81	17.07
Pemex 6 91	0¼	97¼	97¾	8/10	15.31	15.71
Societe Generale 5¼ 91	0¼	99	99½	22/1	18⅛	18.72
Sparebanken 6 87	0¼	98	98½	19/12	16.81	17.11
Svenska Hndlsbk. 5 87	0¼	99⅞	99⅝	15/1	18⅛	18.24

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	86¼	86¾	−0⅛	−2.52
Bow Valley Inv. 8 95	4/81	23.12	100½	102	−2½	18.69
Canon 6¾ 95	1/81	829	180¾	181¾	−4½	−4.81
Credit Suisse 4¾ 93	10/79	1236	84	85	−0⅛	5.40
Digicon Fin. 8½ 95	10/81	25.5	*99	100	0	16.80
Fujitsu 5½ 96	7/81	732	102¼	103¼	−0⅞	−0.24
Furukawa Elec. 5⅝ 96	7/81	300	110¼	111¼	−2¼	−4.76
Hanson O/S Fin. 9⅝ 96	8/81	2.74	91	92	−0⅛	−1.46
Hitachi Cred. Cpn. 5 96	7/81	1966	84½	85⅛	−1⅛	−2.10
Ina Overseas 8¾ 2000	4/81	42	98	99	0	3.43
Inchcape 8 95	2/81	4.55	86	88	−1½	7.93
Kawasaki 5¼ 96	9/81	229	98⅞	99⅞	+1⅛	−15.91
Marion Int. Fin. 9 95	12/80	15.5	75¼	76¼	0	47.01
Marui 6 96	7/81	931	86⅜	87⅜	−1⅛	−1.17
Matsushita El. 7½ 95	11/80	580	84⅜	85⅜	−0⅛	−4.79
Murata 5¾ 96	7/81	2190	95½	96½	−4⅛	5.09
NKK 6½ 96	7/81	188	114	115	+0⅛	27.70
Ricoh 6¾ 95	8/80	604	137	139½	−1⅛	−4.31
Sumitomo M. Ind. 7 95	2/81	181	143¾	145¾	+1⅛	−2.14
Swiss Bk. Cpn. 6¾ 90	9/80	200	70¾	72¼	−1⅛	27.74
Taylor Woodrow 8¾ 90	1/81	4.94	89	90	−1	1.12
Transco Int. 8½ 95	2/81	88	77	78	+0⅛	19.10
Tricorp 8½ 95	12/80	31.25	85	86	−0⅛	33.59
Union Bk. Switz. 5 89	2/80	70.79	71⅛	73⅛	−0⅛	7.28
Sharp Cpn. 6½ 88 DM	9/80	595	181	182	−3⅛	−3.78
Uny Co. 6¼ 85 DM	11/79	879.3	105¼	106¼	−2⅛	−3.92

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	3,051.7	4,787.6
Previous week	2,262.2	3,801.1
Other bonds		
Last week	690.1	403.5
Previous week	775.4	314.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 4

FT Monthly Survey of Business Opinion

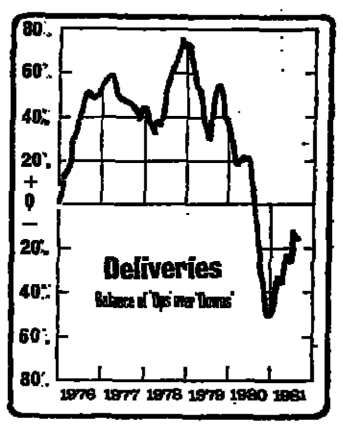
GENERAL OUTLOOK

Confidence stabilising

INDUSTRY REMAINS more optimistic about the business outlook than during the depths of the recession last year, although there is little confidence of a prolonged and speedy recovery.

The index measuring general optimism about the business situation improved again last month, recovering some of the ground lost in July. But the index measuring the absolute level of company optimism showed virtually no change.

All three sectors surveyed last month—engineering (not electrical), brewers and disstillers and paper and connected industries—were more optimistic about the general outlook than they had been when last quizzed in April.



The weaker pound improved optimism in both the engineering and the paper sectors. Considerable doubts remained about the timing and strength of the UK upturn, although respondents were consoled by the absence of any further deterioration.

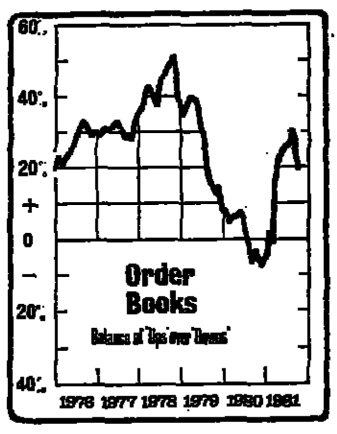
Underlining the fragile state of business confidence, optimism about the UK economy dropped back for the second month running, with many companies reporting that they could see little sign of real recovery.

ORDERS AND OUTPUT

Lower order forecasts

COMPANIES again reported improved trends in orders last month, but there was less optimism about the outlook for order levels. This emphasises the halting nature of the recovery in demand that has taken place since the end of 1980.

For the first time for 12 months, more companies are now reporting higher orders over the past four months than lower ones. But the index measuring expectations of order levels over the next four months dropped back for the first time this year, reflecting lower expectations in all three sectors.



Recent delivery trends showed little change with the engineering and paper sectors reporting higher deliveries than they had done in April but the brewing sector giving less optimistic answers. Brewers' sales were affected by poor weather and falls in consumers' purchasing power.

All three sectors expected higher increases in turnover over the next 12 months—although some were expressing hopes rather than forecasts.

Export prospects were again judged to have improved following the further fall of the pound.

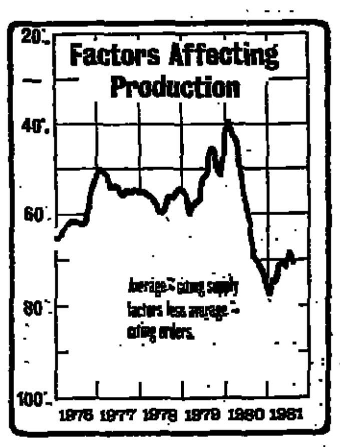
CAPACITY AND STOCKS

Demand still faltering

INDUSTRY reported last month that demand is still faltering. Companies appear reluctant to re-stock, with all three sectors more inclined than they had been last April to say that stock levels are too high.

Respondents also increasingly mention a shortage of demand as affecting output. The number of companies reporting close to capacity working, which had been increasing, levelled off last month, although there was a further improvement in the number of firms saying they are able to plan ahead for six months or more.

The percentage of companies reporting fixed assets not being used continued to fall, with all three sectors more inclined to say that they had neither plant, buildings nor machinery standing idle.



The pattern of stock movement expectations over the next 12 months is mixed, although there has been a general tendency for the three indices of stocks — work in progress, finished goods and raw materials —to drift downwards.

CAPACITY WORKING

Are you working at your planned output level for the time of year?	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Above target capacity	6	4	5	5	6	18	0
On target	46	49	38	35	22	0	72
Below target capacity	45	41	48	52	72	82	20
No answer	3	6	9	9	0	0	8

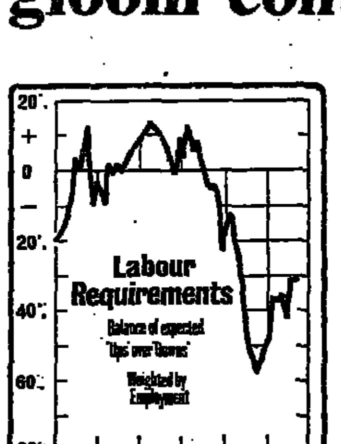
INVESTMENT AND LABOUR

Workforce gloom continues

INDUSTRY remains highly cautious about taking on new staff in spite of the flattening-out of the recession, with most companies questioned expecting to make further workforce cuts during the next 12 months.

The index measuring expected labour requirements showed no change last month after the slightly more positive showing of the previous two months. The heavy employers in the engineering sector were particularly pessimistic about the need for further cuts, although the other two sectors were slightly more optimistic.

The brewing sector was more inclined to expect capital spending to increase over the next year than it had been last April. This was offset, however, by a more pessimistic view from the paper companies.

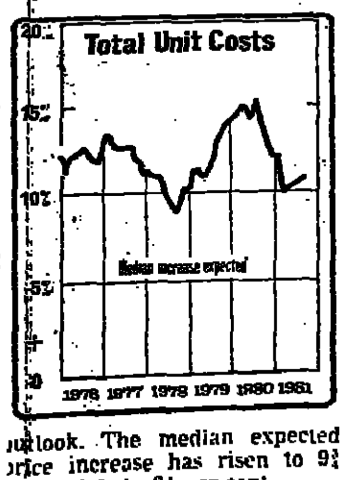


The index for the proportion of capital spending planned to be channelled overseas dropped slightly.

COST AND PROFIT MARGINS

Higher price rises ahead

All three sector expected slightly higher increases in prices during the next 12 months, in line with the general slight worsening in the inflation outlook. The median expected price increase has risen to 9¾ per cent from 9½ per cent.



Companies however expected lower rates of wage increase because of the tight labour market. The median expected rise has fallen to just over 9 per cent from nearly 9½ per cent.

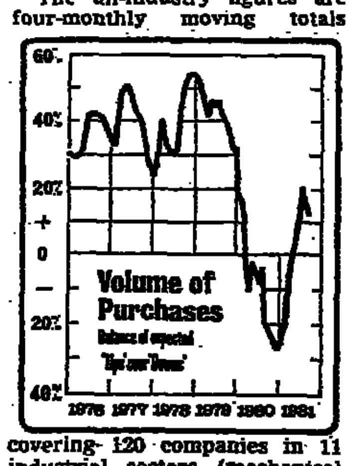
Since unit costs are expected to rise much faster than wages —by over 10¾ per cent, against more than 10½ per cent previously—the outlook for profit margins has deteriorated slightly.

Engineering companies blamed competition and over capacity as factors impeding prices rises in line with costs. Imports were also said to be squeezing profit margins. Brewers complained of contracting sales volume, although some paper companies spoke positively of cost reductions and a correction of the increases in paper costs.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based on interviews with executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT Actuaries' index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals



covering 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.

GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
More optimistic	37	36	40	37	27	38	31
Neutral	44	43	41	41	73	37	52
Less optimistic	19	21	18	22	0	25	17

EXPORT PROSPECTS (Weighted by exports)

	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Over the next 12 months exports will be:							
Higher	60	56	49	42	66	8	84
Same	20	25	27	29	1	92	2
Lower	19	17	22	27	33	0	14
Don't know	1	1	2	1	0	0	0

NEW ORDERS

The trend in new orders in the past 4 months was:	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Up	27	24	18	18	37	18	3
Same	30	34	28	24	32	50	41
Down	25	28	35	42	32	6	47
No answer	17	14	19	16	0	25	8

PRODUCTION/SALES TURNOVER

Those expecting production/sale turnover in the next 12 months to:	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Rise over 20%	2	2	2	1	0	0	0
Rise 10-14%	10	7	5	6	12	6	34
Rise 5-9%	24	25	17	16	8	0	33
Rise 2.5-4.0%	31	25	20	17	46	38	8
Remain the same	18	29	33	37	14	6	24
Fall 2.5-4%	3	3	6	6	13	0	0
Fall 5-9%	5	2	6	6	6	25	0
Fall 10-14%	0	2	4	5	0	0	0
Fall 15% or more	1	1	1	1	0	0	0
No answer	7	4	7	5	0	25	0

STOCKS

Raw materials and components over the next 12 months will:	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Increase	35	36	30	29	21	18	51
Remain the same	45	49	49	47	58	56	25
Decrease	16	12	17	22	21	25	24
No answer	3	3	3	2	0	0	0
Manufactured goods over the next 12 months will:							
Increase	34	34	26	24	24	6	52
Remain the same	32	36	46	46	65	44	11
Decrease	16	13	15	19	8	25	16
No answer	4	1	1	1	0	25	0
Not applicable	14	17	12	10	3	0	21

FACTORS CURRENTLY AFFECTING PRODUCTION

	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Home orders	87	87	92	92	100	100	100
Export orders	64	58	61	61	87	82	83
Executive staff	4	3	3	2	1	6	0
Skilled factory staff	0	0	2	2	0	0	0
Manual labour	1	1	1	0	0	0	0
Components	1	1	1	1	0	0	0
Raw materials	6	6	5	7	0	0	0
Production capacity (plant)	5	5	3	3	0	0	0
Finance	1	0	0	1	0	0	8
Others	5	11	11	15	0	0	0
Labour disputes	16	15	18	15	6	6	8
No answer/no factor							

LABOUR REQUIREMENTS (Weighted by employment)

	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Those expecting their labour force over the next 12 months to:							
Increase	13	13	13	9	15	0	0
Stay about the same	43	43	39	40	33	82	83
Decrease	44	44	48	51	52	18	17

CAPITAL INVESTMENT (Weighted by capital expenditure)

	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Those expecting capital expenditure over the next 12 months to:							
Increase in volume	22	22	22	28	3	39	10
Increase in value but not in volume	12	10	9	6	11	29	9
Stay about the same	27	29	26	26	16	0	9
Decrease	33	34	40	40	67	2	73
No comment	6	5	4	1	3	29	0

COSTS

	May-Aug %	April-July %	March-June %	Feb-May %	Eng'ring %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Wages rise by:							
5-9%	57	53	43	45	82	69	49
10-14%	35	40	48	46	18	6	43
No answer	8	6	9	9	0	25	8
Unit cost rise by:							
0-4%	5	6	2	3	3	0	0
5-9%	27	32	34	35	42	13	3
10-14%	36	43	40	39	47	12	46
15-19%	6	3	2	4	0	0	43
20-24%	1	1	1	1	0	0	0
Same	0	0	0	1	8	0	0
Decrease	0	0	2	2	0	0	0
No answer	24	16	19	15	0	76	8
Same							
Decrease							

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	May-Aug %	April-July %	March-June %	Feb-May %	Engeering %	Brewing & Distilling %	Paper %
	4 monthly moving total				August 1981		
Improve	40	48	45	38	30	13	16
Remain the same	31	30	35	37	49	31	60
Contract	20	19	20	24	18	6	24
No comment	9	4	0	1	3	50	0

COMPANY NOTICES

PUBLIC NOTICES

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	13¼	½-year	1,000	1-3

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Firth (G. M.) (Metals), Victoria Hotel, Bradford, 11.30
Marshalls (Halifax), Hall Ings, West Lane Southowram, Halifax, 2.30
Stock Conversion and Inv. Tst., Cafe Royal, 68, Regent Street, W, 12.00

BOARD MEETINGS—
Final:
Land Investors
Interims:
Claverhouse Inv. Tst.
Metal Closures
Scottish Eastern Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 13¼pc Bds. 7.9184 6¾pc
Amdahl Corp. 10cts
Assoc. British Foods 2.6p
BLMC Lns. 3 3½ 4pc
Barclays Bank Intnl. Ln. 3¼pc
Bournemouth Var. Rate Red. 1983 £6.6563
Bulmer (H. P.) (Hldgs.) 4.06p
Croda Organic Chemicals Grp. Ln. 3¼pc
Drayton Premier Inv. Tst. 3p
Dunlop Hldgs. Db. 3½pc
Helene of London 1.11p
Highams Db. 3½pc
Intnl. Inv. Tst. 4½pcPf. 1.575pc
Lionel Corp. 5cts
Redland 4.67p
Sainsbury (J.) Db. 3½pc

TOMORROW

COMPANY MEETINGS—
Aero Needles Gr. Clive Works, Redditch, 3.00
Globe Inv. Tst., Electra House, Temple Place, Victoria Embankment 12.30
Lendu Rubber Estates, Tubs Hill House, London Road, Sevenoaks, Kent, 12.15
McLeod Russel, Victoria House, Vernon Place, WC, 12.00
Meyer (Montague L.) Charing Cross Hotel Strand WC 12.00
Wheeler's Restaurants, Sheridan Hotel 84, King's Road, Brighton, 12.00

BOARD MEETINGS—
Finals:
F. and C. Eurotrust
FMC
Interims:
Ayrshire Metal Products
Costain
Dorada
English and New York Trust
IMI
London United Invs.
Midland Inds.
Nurdin and Peacock
Pentos
Petrocon
Provident Financial

Heywood Williams
Martin (R. P.)
Maynards
Mountleigh
Stewart Plastics
Tweefontein United Collieries
Interims:
Abbey Panels Invs.
BTR
Bestobell
Blackwood Hodge
Bridon
European Ferries
Friedland Doggart
Harmony Gold Mining
Hepworth Ceramic
Highcroft Inv. Tst.
Lead Inds.
[illegible] olia (Mouldings)
Prudential Corp.
Rosedimond Inv. Tst.
Sedgwick
Thurgar Bardex
Turner and Newall
United Biscuits
Yorkshire Chemicals
Yule Catto

DIVIDEND & INTEREST PAYMENTS—
AMF Inc. 31cts
Agricultural Mortgage Corp. 6¾pcDb. 1985-90 3⅛pc. 7¼pcDb. 1981-84 3⅝pc. 9¼pcDb. 1980-85 4⅝pc
Barnes Group Inc. 25cts
Boeing 35cts
C.H. Inds. 1.5125p
Citicorp Overseas Finance Corp. Gtd. Fltg. Rate Notes 1994 US$46.64
Countryside Properties 1.4p
Dart and Kraft Inc. 55cts
Dennis (James H.) 1.4p
General Motors Corp. 60cts
Grace (W. R.) 65cts
Intnl. Business Machines Corp. 86cts
Kinta Kellas Rubber Estates 3.5p
Latham (James) 4.65p
Lex Service Grp. 2.8p
Pratt (F.) Engineering Corp. 2.7p
Purolator Inc. 37cts
Southern Rhodesia 3½pc 1930-85 1¾pc, 3½pc 1980-85 (Assented) 1¾pc
Southvaal Hldgs. 150cts
Squibb Corp. 30cts
Sun Co. Inc. 52.5cts
Texaco Inc. 70cts
Travellers Corp. 72cts
Treasury 5pc 2008-12 2½pc
United Technologies Corp. 60cts
Vaal Reefs Exp. and Mining 450cts
Warner-Lambert 33cts
Western Deep Levels 100cts

FRIDAY, SEPTEMBER 11

COMPANY MEETINGS—
Avana Group, Park Lane Hotel, Park Place, Cardiff, 3.00

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Wholesale Jewellery Buyers' Autumn Fair (0935 20721) (until September 9)	The White House Regents Park
Current	Watch, Jewellery and Silver Trades Fair (01-643 8040) (until September 10)	Earls Court
Sept 8-10	Laboratory 81 Exhibition (0799 22612)	Grosvenor House, W1
Sept 8-11	International Carpet Fair (01-839 5041)	Exhibition Centre, Harrogate
Sept 11-13	National CB Show (01-437 1002)	Old Horticultural Halls, SW1
Sept 13-16	MAB International Menswear Fair (01-404 0801)	Earls Court
Sept 15-17	Industrial Environment Show (01-686 6339)	Olympia
Sept 15-22	International Plastics Exhibition—INTERPLAS (021-705 6707)	Nat. Exbn. Cntr., Birmingham
Sept 15-18	Offshore Europe 81 Exhibition and Conference (01-549 5831)	Aberdeen
Sept 15-26	Chelsea Antiques Fair (0727 56069)	Town Hall
Sept 20-23	London Sports Trade Show (01-353 4000)	Earls Court
Sept 21-26	International Garage Equipment Trade Exhibition GARAGEQUIP '81 (01-235 7000)	Olympia
Sept 22-23	CCC Business Studies: First National Credit Management Convention and Exhibition (021-643 3589)	Warwick
Sept 22-24	Kent's Industry and Commerce Exhibition (01-729 0677)	Ashford
Sept 23-25	Business Telecommunications Exhibition (09274 28211)	Royal Lancaster Hotel, W2

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Radio and TV Exhibition (01-540 1101) (until September 13)	Berlin
Current	International Exhibition of Sports Goods and Outdoor Activities (01-439 3964) (until Sept. 8)	Paris
Current	*International* Autumn Fair (01-493 3111) (until September 12)	Leipzig
Sept 9-12	Electronic Packaging Exhibition—INTERNEPCON (01-390 0281)	Taipei
Sept 9-17	International Engineering Fair (01-278 0281)	Brno
Sept 11-20	*International* Autumn Fair (*01-486 1951*)	Zagreb
Sept 14-18	SE Asian Production Machinery and Engineering Equipment Exhibition (01-486 1951)	Singapore

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Sept 7	British Computer Society: Query Languages for *the End User (01-637 0471)*	*Mount Royal Hotel*
Sept 10	IPS: Materials for industry—present and future (0990 23711)	Europa Hotel, W1
Sept *10-12*	Institute of Local Government Administrators: Employment—the Local Government Response (0206 45212)	Birmingham
Sept 13-26	Seatrade Academy Anatomy of Shipping (0223 353451)	Cambridge
Sept 15	CBI Introducing single status employment—what's the difference? (01-379 7400)	Centre Point
Sept 15	The Henley Centre for Forecasting Revitalise your market thinking (01-353 9961)	London Press Centre
Sept 16-17	Financial Times Euro - Korean Symposium (01-621 1355)	Brussels
Sept 17-18	The Economist International Oil Supplies and Stockpiling Conference (01-839 7000)	Hamburg
Sept 17	Freight Transport Association National Conference Efficiency in the '80s (0892 26171)	Wembley Conference Centre
Sept 17	Institute of Directors The financial and legal implications of management buy-outs (01-839 1233)	Pall Mall, SW1
Sept 21-23	DIBC UK/Tullett and Riley Foreign exchange and money market dealing (01-788 5126)	Great Eastern Hotel, EC2
Sept 22	IPS Materials Management (0990 23711)	Europa Hotel, W1
Sept 22-24	IBM Planning and control for data processing managers (01-864 5373)	Gatwick
Sept 23-26	International Bar Association The future of *London arbitration (01-930 6432)*	Waldorf Hotel, WC1
Sept 28-29	MSS Computer and Business Consultancy Computer appreciation for managers/users (Worthing 34755)	Worthing
Sept 29	Dun and Bradstreet More effective collection technique for credit controllers and supervisors (01-247 4377)	Café Royal, W1
Sept 29-Oct 1	Thames Water Disposal of Sludge to Sea (01-837 3300)	University College, London
Oct 6	The Henley Centre for Forecasting: The new leisure markets for the 1980's (01-353 9961)	Cumberland Hotel, W1
Oct 8-9	Department of Energy Fifth National Energy Management Conference—Energy Conservation—*the key to competitiveness (01-211 3000)*	*Nat. Exbn. Cntr., Birmingham*

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

APPOINTMENTS

George Duncan joins BET

Mr George Duncan has been appointed a non-executive director of the BRITISH ELECTRIC TRACTION COMPANY. Mr Duncan is chairman of Lloyds and Scottish. He has been a director of that company since 1973 and has held various senior appointments in industry.

Mr George Duncan

★

Mr P. G. Wreford and Mr N. F. Baldock have resigned from the board of ROBERT MOSS following the sale of the greater part *of the shares in Moss held* by Gresham Investment Trust, of which they are directors. Industrial and Commercial Finance Corporation, having been interested in 5 per cent or more of the ordinary share capital of Moss, is now interested in 372,761 ordinary shares (3.7 per cent). The Gresham Group has disposed of 1,211,229 ordinary shares thereby reducing its holding to less than 5 per cent of that class of share.

★

Mr John A. Downes, having reached retirement age, has retired from his executive duties within the CHARTERHOUSE GROUP including that of managing director—administration. Mr Downes, who has been with Charterhouse for 18 years and an executive director of the group since 1970, will remain on *the board as a non-executive* director of the Charterhouse Group and non-executive chairman of Charterhouse Pensions.

★

Mr Alastair Malcolm has been appointed as director, credit insurance division, BRITISH NATIONAL GROUP. He will have responsibility for developing this new activity of the company, reporting directly to Mr Peter Fryer, managing director of British National.

★

Mr Peter Ashley Miller has become executive chairman of ARBUTHNOT SECURITIES and chairman of ARBUTHNOT INVESTMENT MANAGEMENT SERVICES. He has also been elected to the boards and appointed chairman of Arbuthnot Securities (CI) and its subsidiaries, Arbuthnot Government Securities Trust, Arbuthnot Dollar Income Trust, Arbuthnot Sterling Fund and Eastern International and Energy Trust and its subsidiary company. Mr John Magnay has joined the board of Arbuthnot Securities.

★

Mr Robert M. Malden, at present chief accountant of the ROYAL BANK OF SCOTLAND, has been appointed general manager (financial control) from October 1.

★

DOREEN HOLDINGS has appointed Mr Frank Sterling as managing director of its UK retail division, Joan Barrie and Winners. He was previously with the Debenhams Group.

★

Mr Don Spearman, marketing executive at VENT AXIA, has been appointed to manage the European subsidiary companies of Vent Axia International. He retains his UK, U.S. subsidiary and overseas marketing responsibilities.

★

Mr Bruce Marshall has joined HARLEY MULLION AND COMPANY, the shipbroking subsidiary of Kleinwort Benson, as a director with particular responsibility for dry-cargo chartering. He has been a member of the Baltic Exchange since 1952.

★

Mr Paul Mason and Mr Richard Sparrow have been appointed directors of CLARKSON PUCKLE MARINE HOLDINGS.

BASE LENDING RATES

A.B.N. Bank	12 %	Grindlays Bank	‡12 %
Allied Irish Bank	12 %	■ Guinness Mahon	12 %
American Express Bk.	12 %	■ Hambros Bank	12 %
Amro Bank	12 %	*Heritable & Gen. Trust*	12 %
Henry Ansbacher	12 %	■ Hill Samuel	§12 %
AP Bank Ltd.	12 %	C. Hoare & Co.	†12 %
■ Arbuthnot Latham	12 %	Hongkong & Shanghai	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd	12½%
Banco de Bilbao	12 %	*Langris Trust Ltd.*	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel *Montagu*	12 %
Barclays Bank	12 %	■ Morgan Grenfell	13 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	*Slavenburg's Bank*	12 %
■ Brown Shipley	12½%	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	13 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶13 %	Whiteaway Laidlaw	12½%
Clydesdale Bank	12 %	Williams & Glyn's	12 %
C. E. Coates	12 %	Wintrust Secs. Ltd.	12 %
Consolidated Credits	12 %	Yorkshire Bank	12 %
Co-operative Bank	*12 %		
Corinthian Secs.	12 %		
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 10% and over £50,000 11%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate

Nchanga

Consolidated Copper Mines Limited

(Incorporated in the Republic of Zambia)

Statement by the Chairman, Mr. J. C. Mapoma

Introduction
The reduction in the Company's pre-tax profit from K131.2 *million in respect of the financial year ended 31 March 1980* to a mere K13.6 million for the financial year under review should have under normal circumstances cast dark clouds over our *ability to survive the current financial difficulties.* The world economy is still stagnant because the industrial recession and inflation which have led *inter alia* to depressed metal markets continue unabated. Despite the reported surpluses of crude oil on the world market, oil prices remain at high levels and countries such as Zambia continue to suffer from spiralling costs on account of largely imported inflation.

However disappointing this situation may be, I am personally full of hope for a *bright future.* In May this year an agreement was reached in principle to merge your Company with its sister Company, Roan Consolidated Mines Limited (RCM). This was indeed a bold and logical decision marking yet another milestone in the development of the Zambian copper mining industry. *It signifies the ability of the industry to respond not only to current* economic situations but to future challenges as well. Before I outline the benefits to be derived from the proposed merger of RCM and *this Company,* I wish to report to you the operating and financial results of your Company for the financial year ended 31 March 1981.

Operating results
Finished copper production for the year ended 31 March 1981 was 356,541 tonnes compared with 359,816 tonnes for the previous financial year. But for the loss of production resulting *from* the strike in January 1981 there would have been an improvement on last year's figures. It is gratifying to note that this improvement in production occurred in spite of a natural fall in the overall grade of ore. *Efforts to compensate for this* fall in grade by increasing the overall tonnage delivered to the mills were frustrated by breakdowns and the generally low availability of equipment: the maintenance of essential machinery was affected by shortages of skilled personnel and *of replacement spares.*

Chingola Division
The open pit section produced a higher tonnage at a better grade while the underground section produced a higher tonnage at a reduced grade. However, overall copper *contained in the ore mined* at Chingola improved compared with the previous year. The volume of overburden removed during the year was 20.8 million bank cubic metres (bcm) compared with 18.9 million bcm in the previous year. This improvement is welcome. However, as the Nchanga open pit *becomes deeper* it will become necessary to improve overburden removal further. To this end, the company is making renewed efforts to provide the necessary skilled personnel and essential spare parts.

Rokana Division
The underground *mining sections at Rokana had a difficult* year, with production being lower than in the previous year. To *some extent* this reflects a slow decline in grade as the mines become deeper. Unfortunately our efforts to offset this by increasing the tonnage were hampered by poorer availability of compressed air and mechanical equipment. The open pits at Bwana Mkubwa and Mindola continued to operate during *the year. These pits are nearing the end of their economic lives* and are expected to close during the coming financial year. This eventuality is regrettable since these pits, together with the smaller ones which are also being depleted at *Chingola* Division, contributed about 40,000 tonnes of finished copper during the 1978/79 financial year. *Consequently, the Company* must intensify its efforts in finding new ore sources in order to *maintain production* at reasonable levels. The rehabilitation of the first unit of the refinery tankhouse was completed successfully and work has started on the second unit.

Konkola Division
Both the tonnage and grade of the ore hoisted were lower than in the previous year. Operations at the *Division remained* restricted to those levels which have been dewatered and *during the year water levels* in the aquifers remained fairly static. Water levels cannot be expected to fall significantly until new pump stations which are under construction are completed. Consequently production at Konkola will remain problematical for some time to come. The modifications to *the cobalt section of the concentrator* were completed and cobalt ore from Chingola Division was treated in preparation for the start of the new cobalt plant at Rokana.

Broken Hill Division
The production of metal at Broken Hill Division was again lower than in the previous year. Although mining and processing of the underground ore presented no particular *difficulties,* production was nevertheless hampered by the lower grade of material reclaimed from the dumps and the poor availability of metallurgical plants. Every effort is being made to improve plant availability and to seek ways to modify the processes so as to increase throughput and reduce costs. *In addition we are intensifying our geological exploration* efforts to increase ore reserves.

Major Projects

Cobalt
The mining of cobalt-bearing ore underground at Chingola became a routine operation during the year. The ore is being processed at the Konkola concentrator. Modifications to the *operating practice and rehabilitation at the Rokana* concentrator have resulted in significantly improved recovery of cobalt to concentrate at that Division. The concentrate *produced, which is in excess of that* required for the existing Rokana cobalt plant, is being stockpiled for subsequent treatment at the new plant. The construction of the new cobalt *plant at Rokana* is proceeding as planned and the commissioning is expected to commence early in 1982. In the *meantime, good progress has been made on the* rehabilitation work on the old plant. In future years, cobalt ore will be mined from both the underground and open pit sections at Chingola as well as from the underground mines at Rokana and Konkola. The concentrators at the three mines will require facilities for the production of cobalt concentrates. At Chingola, planning and design work for the modification of part of the concentrator for the treatment of cobalt-bearing *ore commenced.*

Acid
Last year I reviewed the Company's sulphuric acid requirements in relation to its production capacity and reported the decision to construct a fourth acid plant at *Rokana. The design was confirmed for a plant of a nominal* capacity of 100,000 tonnes per annum. A contract was awarded for the installation of the plant and construction work has commenced. Commissioning is expected to start at the end of 1982.

Tailings Leach Stage III
During the year there was further development in the design of the plant. It was decided to integrate the proposed extension with the existing tailings leach plant. In this way it will be possible to feed both current tailings and reclaimed dump material into the *existing plant and by adding a large* filter section to process all the materials. The design change takes advantage of recent developments in large-scale filtration equipment. The Company is anxious to proceed with this project as soon as possible since the plant will make a significant contribution to maintaining present levels of copper production and foreign exchange earnings for the *country* in future years.

Transport
The road and railway route to and from the port of Dar es Salaam continued to be the main outlet for the company's imports and exports. The Tanzania-Zambia Railways *(TAZARA)* experienced operational problems throughout the year with the poor availability of locomotives due to lack of *spares being the most severe in the second half of the year.* In addition, the constant breakdowns of locomotives worsened the transit time to port even further. Since the year end, however, the Governments of Zambia and Tanzania have taken steps to improve the situation. I am hopeful that with this support *TAZARA will be better able to play its vital role of* providing a reliable and efficient service to its customers both in Zambia and Tanzania.

Metal Markets
The base metal markets remained depressed during 1980 under the influence of the world economic recession. The recession which started in 1979 in major industrialised countries spread to *other countries during* 1980 and Western world consumption of all metals your Company produces dropped, particularly in such key sectors as the automobile and construction industries. The decline in consumption in 1980 was most pronounced in the United States which is the largest consumer of metals in the Western world. The US consumption of refined copper during 1980 fell by 14 per cent, and that of lead, zinc and cobalt by 23 per cent, 18 per cent and *8 per cent respectively. In addition to lack of physical demand* the major factor which contributed to the weakness in metal markets was the sharp increase in interest rates, particularly in the USA. These discouraged consumers from building up stocks and moved short-term investment funds away from *metals. Total Western world consumption of refined copper in* 1980 declined by about 3.5 per cent from 7,500,000 tonnes in 1979 to 7,240,000 in 1980. On the other hand, refined copper production, at 7,110,000 tonnes in 1980, was almost unchanged from the 1979 levels. As a result the overall supply deficit *in* refined copper narrowed down to about 130,000 tonnes in 1980 from over 430,000 tonnes in 1979.

An important feature of the world copper market in 1980 was the protracted strike *by the US* mineworkers in the second half of the year which resulted in a loss of about 350,000 tonnes of primary copper. In spite of the large drop in the US copper output and an overall supply deficit, the decline in copper prices which started towards the end of March 1980 *persisted throughout the financial year under review.* Consequently, the average cash settlement price for copper wirebars on the London Metal Exchange (LME) declined to £850 (K1,578) per tonne compared to the average of £991 (K1,705) per tonne in the financial year ended 31 March 1980. In real terms, copper prices during 1980/81 were much lower than in the 1960s and 1970s. In view of the rising costs of production, such levels of copper prices are really critical for *current operating mines and are inadequate to ensure a* reasonable return on investment in new mine development.

Let me now turn to cobalt, of which your Company is one of the most important producers. The Western world consumption of cobalt declined by nearly 12 per cent in 1980 *to around 19,000 tonnes and major cobalt producers suffered* a sharp reduction in their cobalt sales. Consequently, there was a significant build-up of producer stocks of cobalt during 1980. By the end of December 1980 these stocks were estimated at around 14,000 tonnes. At the beginning of April 1981 the US *Government announced its intention to purchase* 5.2 million lb. (2,359 tonnes) of cobalt to augment its strategic metal stockpile. This announcement, however, had little effect *on the depressed cobalt market largely because the funds* allocated for the purchase of the many strategic metals were limited. For a Company like yours, the decline in the by-product credits from cobalt, together with depressed copper prices, has adversely affected the overall profitability. Since the end of the financial year, there are encouraging signs that the US economy is gradually moving out of the grip of the recession. Given the general low level of stocks of *metals and indications that the world economic recovery may* be on the way, I hope that the demand for metals will improve by the end of 1981 with a corresponding improvement in prices.

Finance
The financial results of the Company for the year under review were disappointing, largely due to the factors outside your management's control: whilst the income from sales of metal *fell materially,* there were substantial increases in prices of various inputs which caused expenditure to rise. In the March quarter of 1980 the average realisation was almost K2,000 per tonne of copper sold. This declined to K1,684 per tonne during the following quarter. Thereafter the average realisation fell *gradually until the December quarter when it was K1,640 per* tonne. The March 1981 quarter experienced a material drop which brought the average realisation down to K1,531 per tonne. As mentioned elsewhere in this report the sales of cobalt were disappointing, being only 587 tonnes as against a *production of 1,122 tonnes and a previous year's sales of 1,009* tonnes. The cost of sales of all metals increased principally due to the inflation in prices of materials, both from local and overseas sources, which rose by more than 20 per cent. In addition, the amendment in August 1980 of the three-year Collective Agreement with the Mineworkers' Union of Zambia (MUZ) added further to costs. The operations at Broken Hill *Division which incurred a loss of K12.5 million during the* previous year, resulted in a bigger loss of K20.5 million during the year under review.

The effect of these adverse factors was a reduction in profit before taxation for the year to K13.6 million as compared with *K131.2 million for the previous year. As noted in the Directors'* Report, the March quarter 1981 showed a loss before taxation. This trend has continued into the new financial year and the Company is still in a loss-making situation. The poor results together with the increased capital expenditure of K108 *million resulted in the changing of a very healthy liquid* position at the beginning of the year to a tight situation at its end. It will be recalled that at 31 March 1980, cash and funds on *deposit amounted to K92 million. In the early months of the* year these increased to a figure in excess of K100 million, but by 31 March 1981 they had fallen to K29 million. This run down of funds has continued since the year-end.

This year the Company has declared a dividend of *K4,800,000 compared to K9,300,000 for the previous financial* year. An amount of K27.6 million was appropriated to general reserve which was lower than last year's appropriation of K46.9 million. The levels of ordinary dividend and appropriation to general reserve were again influenced by the Company's need to finance the replacement of mining and processing assets and the expansion programmes for cobalt, acid and ore production.

The Company is entering into negotiations to raise further loans so that it may continue its operations and maintain its capital expenditure at the minimum level necessary. In assessing this level the low investment of the past five years due to financial stringency must be taken into account. In *those years, capital expenditure on improvements and* replacements was deferred, thus endangering the future production plans of the Company. The figure of after-tax profit of K32.4 million reported to you has been calculated on the historical cost accounting basis. However, if adjustments are made to convert this figure to the current cost accounting basis, it becomes a loss of approximately K38 million. Whilst it is recognised that certain of the adjustments may necessarily *be approximate, the point I wish to make is that there is no* doubt that on the current cost basis the results of the Company for the year under review would have been a material loss. In the year ended 31 March 1980 the profit before taxation was K131 million and taxation K75 million, leaving a profit after tax of K56 million. If these figures are recalculated on current cost accounting basis, the profit after taxation would have been a mere K12 million. I trust that this fact will be *taken into account* when assessing the basis and levels of taxation on the Company. Furthermore, it is also necessary for me to state that your company must retain sufficient funds to ensure that its capital remains intact. During the year the Company was unable to obtain sufficient foreign exchange to purchase the full requirements of spares to maintain the plants in a satisfactory manner. I am hopeful that this position will be relieved now that Zambia has received financial *support from the International Monetary Fund.*

Personnel
The Company continued to enjoy happy industrial relations during the financial year under review until January 1981 when it and RCM were hit by a major strike. Although the *strike was short-lived, about 688,632 man-hours* were lost and production suffered in consequence. New Works Councils were elected at all Divisions towards the end of 1980 in accordance with the provisions of the Industrial Relations Act. In terms of Clause 14 an amendment was made on 8 *September 1980 to the collective agreement dated 25 July* 1979 between the Association of Copper Mining Employers and the MUZ to change basic pay scales and leave entitlements of employees represented by the MUZ. Consequently all sections in the agreement dealing with pay scales and leave entitlements were abrogated with effect from 31 July 1980 and replaced by new pay scales and leave *entitlements effective from 1 August 1980.*

Other matters still under consideration by the parties at the year end included (a) introduction of a pension scheme for Zambian and expatriate employees not currently covered by any pension arrangements, (b) revision of the existing *incentive production bonus schemes for MUZ represented* employees, and (c) review of job evaluation. It is my hope that when agreement is reached on the above proposals, employee morale will further improve in the interest of productivity.

I would like to congratulate Mr E. K. Shamutete, *the first* Zambian to be appointed mine superintendent.

Directorate
Three long-serving "A" directors of the Company, Mr. P. H. A. Brownrigg, Mr. F. C. Sumbwe and Mr. L. C. Sichilongo, left the *board in the course of last year. I am sure fellow directors will* wish me to express the board's and the Company's appreciation for their contribution to the welfare of the Company. I wish them every success for the future. I welcome to the board Mr. F. S. Kazunga, Mr. L. S. Muuka, and Mr. J. L. Masaninga.

Future Outlook
I should now return to the question of the proposed merger of RCM and this Company, which I touched on briefly earlier on. The first point about the proposed merger is that the rationale for it is purely commercial. In other words the basis for bringing the two mining companies together to operate as a single unit is intended to benefit the two companies *concerned and their shareholders. This should inspire* confidence for the future.

Secondly the shareholders' and directors' relative positions are to remain effectively unchanged, with their present rights fully preserved in the merged company so far *as is practical. In addition the position of employees* and creditors of the two companies is not to be prejudiced. However, subject to the merger becoming effective, it is *intended* that the outstanding 5.5 per cent and 5 per cent redeemable cumulative preference shares of K2 each in the capital of the Company should be redeemed at the respective redemption prices in accordance with the Articles of Association of the Company.

In regard to the benefits of the merger it is true to say that this Company together with RCM has been striving to overcome the various operational, financial and staffing problems, *including* falling ore grades in the older mines and a general depletion of ore reserves which have been highlighted in our Annual Reports over the past few years. In this regard it is true to say that each Company has had different problems and advantages, some of which are *complementary. The rationalisation which the merger of RCM* and this Company entails should thus prove most beneficial in making the Zambian copper mining industry better placed to tackle current problems and to face the challenges that lie ahead.

There are in addition other areas where advantages can be reaped. The most important of these are in better production planning and scheduling, improved ability to relate metal *production to market requirements, better and more* economical use of plant and equipment, through, *inter alia,* the elimination of duplication, reduced stores holdings and more effective use of technical and other specialist services. Furthermore, research and development will receive *increased attention and financial resources. The merged* company will also have a much stronger and enlarged financial base which should be of immense value if the company should wish to raise funds from international money markets to finance further developments.

Needless to say the *management of Zambia Consolidated* Copper Mines Limited (ZCCM), as the merged company will be called, will have more than a full plate to contend with. They will have to ensure that operations continue with minimum disruption in addition to ensuring that the *objectives of the merger are realised at least cost.* This is no mean task by any standards, and I would like to take this opportunity to wish Mr. F. H. Kaunda, executive chairman-designate of ZCCM, every possible success in the execution of his increased responsibilities. I hope you, the shareholders, together with the employees of the two mining companies, will give him and his new team the same support and loyalty *as you gave to the outgoing managements.*

This will be my last address to the shareholders before the merger becomes effective and this Company is dissolved under a scheme of arrangement which is to be submitted to the High Court of Zambia for approval. I would like, therefore, *to use this occasion to thank you for your support during the* years I have been Chairman of this Company. I am confident that a bright and more prosperous future lies ahead of ZCCM and its shareholders and that you will enjoy for a long time to come the fruits of the wise decision taken last May.

Lastly, I wish to record my special thanks to the employees of the Company for their contribution and loyalty to the Company *not only during the past year but also during my* tenure as chairman.

J. C. Mapoma
Chairman

Lusaka, Zambia
30 July, 1981

Salient statistics

Year ended 31 March	1981	1980	1979	1978	1977
Copper production—tonnes	356 541	359 816	368 332	377 156	427 810
Copper sales —tonnes	362 812	363 815	365 551	384 580	425 931
—revenue per tonne	K1 629	K1 690	K1 159	K1 002	K1 072
	K Millions				
Total sales revenue—all metals	657	702	489	422	506
Profit/(Loss) before taxation	14	131	26	(37)	84
Profit after taxation	32	56	26	3	34
Profit/(Loss) after taxation and extraordinary items	32	56	26	(17)	2
Dividend	5	9	—	—	—
Capital expenditure	108	63	29	46	16
At 31 March					
Capital employed (including short term loans)	904	841	828	753	725
Shareholders' funds	640	612	566	483	438
Number of employees	34 219	*34 506*	*33 279*	*34 741*	*34 540*

NOTE: Values for the years from 1978 are stated on the basis of depreciation accounting while those for 1977 are on the Company's previous basis of replacement accounting.

BUILDING AND CIVIL ENGINEERING

Norwest Holst wins over £32m

MAJOR PROJECT in a batch of contracts which together are worth more than £32m to Norwest Holst is a £17.2m contract at Bangor, North Wales.

The company's northern region is constructing about 10 km of dual, two lane carriageway with four km of side road diversions. There are to be 12 bridges including the five-span Ogwen viaduct, along with other minor structures and retaining walls. A major road interchange system will be incorporated to link the A5 and A55.

About 1.3m cubic metres of excavation will be required and 400,000 cubic metres carried out in rock.

At Spango Valley, Greenock, Norwest Holst Scotland has been awarded a £3.8m contract by the Strathclyde Regional Council for the construction of a 3.2 km dual 7.3 metre wide carriageways, and 0.3 km single 7.3 metre carriageway (A742 and A78).

This work also includes a grade separated access road into the IBM factory which incorporates a two-span reinforced concrete bridge over the dual carriageway, a corrugated metal culvert, and 0.3 km of varying 7.3 to 8 metre wide carriageway; a reinforced concrete cattle creep underpass beneath the A752, two more corrugated metal culverts under the A742 and associated drainage and surface water outfalls.

Homes and shops

Midlothian District Council has awarded an £812,000 contract at Dalkeith for nine shops and 22 new dwellings formed from the part demolition and alterations and reconstruction of some existing buildings. A further £600,000 award to the company's Scottish division is from Pentland Securities (The Mound) for the prestigious restoration of this historic building to create 21 self-contained executive suites with restaurant and bar facilities.

Gilbert Ash Management has placed a £½m-plus sub-contract for the construction of a new building substructure up to and including the ground floor slab with internal drainage and ducts for incoming services for the Scottish Postal Board's mechanised letter sorting office in Edinburgh.

The erection of 15 advance factory units with a total gross area of 2,502 square metres is worth another £749,000 from the Scottish Development Agency. To be built at Dalmarnock, Glasgow, the units are single storey, structural steel framed with facing up to a height of four metres and a flow clad type roof.

Erection and completion of a distribution warehouse with integral offices, and a maintance garage, in Alexandra Parade, Glasgow, comprises a £1.9m contract by Gallaher. Work includes piling, substructure, steel frame, sheet metal cladding to walls and roof, curtain wallings, internal finishes, fitting out and services. The building is mainly single storey with a mezzanine floor office area and a maximum external height of 16 metres.

Harbour job

The Aberdeen Harbour Board's £660,000 contract covers the demolition of an existing superstructure and reconstruction of the quay, and other work is for Fife Regional Council, British Gas Corporation, Thames, Severn Trent and Welsh Water Authorities, Krupp Indusrie and Mobex Securities.

Laing companies win a £12m contract for Kodak warehouse

TWIN TALENTS of John Laing Construction's south-eastern region and John Laing Design Associates (JLDA) have succeeded in winning a £12m contract for fully automated high bay warehousing from Kodak at Hemel Hempstead.

Activities on a preliminary works contract awarded to south eastern region in June this year are underway and include the construction of car and lorry parking facilities, an access road, drainage, security fencing and control kiosks.

Laing design

Design of the project is being developed by Laing in close collaboration with the client so that the completed works become a carefully integrated extension to the existing facilities on the site, while introducing modern materials and techniques. When completed, Kodak should have storage and distribution faciilties of a very high order.

Major elements of the scheme are a computer controlled conveyor handling system operating within a low bay building and linking with two high bay warehouses which incorporate high level racking and automatic stacker cranes.

The low bay area also houses stock control computers, offices and vehicle loading docks, and the high bays (each 156 x 19 x 19 metres) will provide storage for 23,000 pallet loads in climatically controlled conditions. A separate plant room is provided for each high bay warehouse.

Warehouses in the high bay part will be constructed of precast, pre-stressed double tee units forming a continuous portal structure whose design has been developed jointly by Dowmac Concrete of Stamford and JLDA—believed to be the first example of the method at this height and scale.

Fairclough sports deal

NEW CONTRACTS together worth £2.6m to Fairclough Building should benefit sportsmen, tourists and businessmen, says the company.

Under a £340,000 scheme for North Warwickshire Borough Council more sports facilities will be provided for the residents of Coleshill, Birmingham. A multi-purpose sports hall there will include four squash courts.

The company's patented Add-a-Block extension will enhance West Bromwich's Europe Hotel which is to have an extra 48 bedrooms, new conference room, more restaurant space and additional kitchen facilities under a £950,000 contract. Another Add-a-Bloc contract for £640,000 will provide a 65 bedroom extension at Grand Met's Europa Lodge Motel in Oxford.

At Abbey Lane, Leicester, a £360,000 warehouse will be built for BXL Plastics and, in the same town, an £180,000 project covers the construction of reinforced concrete machine bases and a new factory floor inside an existing factory in Thurmaston Lane for Charles Street Building (UK).

Looking at the heart of timber

Efforts by the suppliers and users of traditional building materials to dampen down the spread of timber-frame systems in new housing — reported on this page last week — have generally failed to provoke any significant counter-attack from the rising number of timber-frame converts. For the most part, they seem prepared to use the growing acceptance of the timber alternative as the best answer to the kind of criticism which has been forthcoming. The benefits in timber-frame construction are nevertheless worthy of consideration.

Although they might not care to openly admit it, the builders of timber-frame homes see the system more as an answer to many of their own long-standing problems, rather than the key to the occupiers' dream.

The timber-frame method—in which the inner leaf of brick or blockwork is replaced by structurally engineered wood frame components and then covered and strengthened with other timber-based sheet materials—can remove a catalogue of site problems which have helped make the construction process time consuming, wasteful and therefore often unnecessarily expensive. The art of housebuilding, in short, becomes a much more precise affair, with fewer potential pitfalls and significant cost-savings which may lead to wider margins rather than cheaper selling prices.

The shell of a timber-frame house can be erected and waterproofed in a matter of days from its arrival on site and early weather-proofing means less wear to components through on-site exposure as well as a faster rate of progress for the finishing trades, some of which might not even be required at all. A timber-frame home can also eradicate the type of shrinking, contracting and twisting which arises from the evaporation of an average 1,500 gallons of water in a typical brick and block house.

The role of the brick is not, however, likely to be completely usurped and most housebuilders have the good sense to know that the eventual occupier likes a home to appear traditional, even if it is not. Brick cladding, therefore, remains the order of the day.

There is a good case for suggesting that many prospective purchasers could be put off timber frame homes altogether if they watched them being put together on site with a hammer and nails, although it is equally true that, on completion, few people can tell the difference.

Perhaps the definitive timber-frame home is currently being put together at the rate of 12 a week on a production line at Langley Mill, Nottingham, home of the Hallam Group.

Hallam has for six years been producing its Volumetric timber housing which takes the concept of system building beyond on site assembly and involves the complete manufacture, fitting out and painting of superstructures in factory conditions, designed to maintain high standards of quality

The finished product, split into halves or quarters, is then transported anywhere in the country and can be made ready for occupation in a few days.

The Volumetric concept was hardly an overnight success — with less than a 1,000 units (ranging from starter homes to four-bedroomed houses) sold in the first six years. But production is now running at around 600 a year and the group has switched the emphasis from the production of commercial accommodation where demand is poor, to housing.

Hallam makes no claim that its product is necessarily cheaper to buy than the traditional home — although it is selling its smallest unit to builders for just £15,000 — but reckons it is a great deal cheaper to run. Perhaps the single biggest advantage of timber-frame housing is the insulation inherent in this type of building. According to the British Woodworking Federation, thermal insulation standards in timber-frame homes can save anything up to 35 per cent in fuel bills.

Alan Rawson of Barratt's (which now builds a fifth of its homes in timber-frame) says that "A saving of at least a third on heating bills offers a fantastic bonus to the house-owner who is becoming more and more concerned about the rising cost of fuel."

Wimpey says that 70 per cent of its private housebuilding is now by this method, with examples all over the UK "from John o Groats to Land's End."

Just a few days ago, Lesser Building Systems of Verwood in Dorset, announced that it has entered the holiday-home market with a new product. Called the Forestlodge, the all timber home is delivered in two factory-finished sections ready for immediate occupation on the simplest of foundations. It is supplied complete with electrics, heating, fully fitted bathroom and wc and luxury kitchen.

Lesser says, however, that the structure is more than just a summertime home; it has been designed for all-year-round occupation.

The upper floor of a terraced starter-home from Hallam—fully fitted out and nearly ready for occupation—is lifted into place by crane. What once took months can now take weeks.

New concept a winner

PROMISING TO significantly reduce design and construction times and costs is a particular system of building for which Medical and Scientific Structures of Sittingbourne, Kent, announces a win of a £4m package deal.

Characteristics of the system effect appreciably less contract periods than those achieved by other methods, claims MSS which has several patent applications pending for the principal features of the concept.

The new award is for a 4,000 sq metre sterile products production unit for pharmaceuticals made by May and Baker of Dagenham, Essex. This building uses a traditional portal frame outer shell, within which the MSS lattice beam mezzanine is built to provide a support for the sterile areas ceiling panels, and to act as a platform for all mechanical, electrical and pipework services.

Sterile area ceiling and wall panels have all been pre-engineered in MSS's Sittingbourne factory with service runs built into the panels.

Food depot costs £7m

A PROJECT covering the construction of a £7m distribution depot (which is pre-let to Lowfields, part of the Imperial Foods Group) has been received by John Finlan.

To be sited at the company's £80m Stakehill Industrial Park at Middleton, Lancs., the 185,000 sq ft area will yield about 60,000 sq ft for cold store, 60,000 of ambient storage, and 65,000 sq ft of chilled warehousing.

New jobs

The depot promises to create 200 new jobs in the area and is planned to serve Sainsbury's stores in the north.

Construction will be of steel portal frame, brick walls, coloured steel cladding and asbestos roof. Ancillary offices are included in the building on which work has already started with completion due in December this year.

Crouch contracts

SUBSIDIARY OF the Crouch Group, Crouch Construction, announces a number of contracts for various building schemes which together total £5m.

New housing projects to be undertaken at Woking, Horsham and Sutton are worth £2.78m. Speculative flats to be built at Stanmore have a value of £¾m.

An industrial sceme covers warehousing at Thames Ditton and will cost £¾m. Refurbishment at Kensington brings in another £½m, and a £¾m job at Kingston covers the building of an office block.

Miller Supermarket

CONSTRUCTION OF a two-storey supermarket for J. Sainsbury at Carlisle Street, Preston, will be undertaken by Miller Construction Wakefield (part of Edinburgh-based James Miller and Partners) under a £2m-plus contract.

The supermarket will have an additional sub-let unit in reinforced concrete and brick construction, car parking and landscaped areas.

IN BRIEF

- Higgs and Hill Northern will construct a four-storey office block with associated works under a £1m contract by Countycross, a subsidiary of the Post Office Superannuation Pension Fund, as part of the multimillion Aireside Centre redevelopment at Wellington Street, Leeds.

- AFA-Minerva will supply fire detection and gaseous extinguishing systems for the Arab Bank's new headquarters in Amman, Jordan, for the major port complex at Aqaba.

- New planning consent has been granted to Bryant Properties to construct a block of self-contained offices at 61, Lowfield Street, Dartford, which will adjoin the Arndale Shopping Centre, and provide 12,000 sq ft of office area and 36 car parking spaces.

- Wharton Williams International has now completed what it claims to be the largest hyperbaric structural repair operation ever undertaken in situ for an offshore steel jacket during a recently completed project in the Bombay High Area.

- Balfour Beatty will construct 12 industrial units at Farnborough, Hants., for London and Metropolitan Estates under a £600,000 contract.

- Major alterations to the roof of Brixton police station are to be undertaken by Walter Lawrence (City) under a contract worth £198,000. The company is also to build a block of six flats for elderly people for the London Borough of Ealing at a contract price of £135,000.

- World-Wide Languages, the Newman Street, London W1 based multi-lingual communications company, is to translate to Arabic from English technical installation, operating and maintenance manuals for wide areas of the £4bn Jeddah International Airport.

- The London International Building Products and Services Exhibition will be held from May 4-7 next year in the Grand Hall, Olympia. Information on 01-661 0303.

- Three contracts are worth nearly £½m to West's Piling and Construction for installation of its Shell piling and associated foundation construction for Pirella General Cable at Southampton, Arthur Morgan of Stourbridge and New Ideal Homes' Goldsworth Park devel-

CONTRACTS AND TENDERS

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	Sept. 4	Sept. 3	Sept. 2	Sept. 1	Aug. 31	Aug. 28	1981 High	1981 Low	Since Cm'pil't' High	Since Cm'pil't' Low
•Indu str'ls	861.68	867.81	884.23	882.71	881.47	882.22	1024.05 (27/4)	861.68 (4/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	57.08	57.32	57.52	57.56	57.48	57.56	65.78 (15/1)	57.08 (4/9)	—	—
Transport	358.88	355.11	375.01	371.21	371.48	375.46	447.38 (16/4)	358.86 (4/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.44	108.20	108.69	108.72	109.81	109.74	117.81 (6/1)	105.89 (5/6)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	42,760	41,750	37,570	46,110	40,880	38,290	—	—	—	—

•Day's high 869.95, low 856.16.

	Aug. 28	Aug. 21	Aug. 14	Year ago (approx
Ind. div. yield %	6.20	6.01	5.90	5.59

STANDARD AND POORS

	Sept. 4	Sept. 3	Sept. 2	Sept. 1	Aug. 31	Aug. 28	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	135.06	136.29	138.88	138.27	137.88	138.37	157.02 (6/1)	135.06 (4/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	120.07	121.24	123.49	123.02	122.79	124.08	38.12 (6/1)	120.07 (4/9)	140.52 (28/11/80)	4.40 (1/6/32)

	Sept. 2	Aug. 26	Aug. 19	Year-ago (approx
Ind. div. yield %	5.14	5.07	4.85	4.64
Ind. P/E Ratio	8.82	8.94	9.33	8.51
Long Gov. Bond yield	14.36	14.25	13.67	11.02

NY. S.E. ALL COMMON

Sept. 4	Sept. 3	Sept. 2	Sept. 1	1981 High	1981 Low
69.55	70.25	71.55	71.28	79.14 (6/1)	70.25 (3/9)

Rises and Falls

	Sept. 4	Sept. 3	Sept. 2
Issues Traded	1,882	1,862	1,857
Rises	396	298	864
Falls	1,099	1,237	553
Unchanged	387	327	440
New Highs	—	6	3
New Lows	—	168	90

MONTREAL

	Sept. 4	Sept. 3	Sept. 2	Sept. 1	1981 High	1981 Low
Industrials	372.81	371.55	385.48	388.25	408.58 (27/5)	358.99 (28/2)
Combined	343.87	342.75	355.95	353.00	375.28 (18/6)	339.34 (26/2)

Financial Rand US$0.79¼
(Discount of 25%)

BRAZIL

1981 High	1981 Low	Sept. 4	Price Cruz
1.90	0.76	Acesita	0.91
6.65	3.05	Banco Brasil	6.00
1.57	1.40	Banco Itau	1.55
2.36	1.80	Belgo. Min	2.35
3.85	2.80	Logas Amer	3.30
3.95	2.12	Petrobras PP	3.95
1.70	1.05	Pirelli OP	1.20
7.90	2.05	Souza Cruz	7.10
7.50	4.90	*Unip PE*	5.90
10.80	4.50	Vale Rio Doce	10.60

TEL AVIV

Company	Prices Aug 23 1981	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	1,492	+ 2
IDB Bankholding	1,832	—
Bank Hapoalim Br.	1,816	—
Union Bank of Israel Br.	1,320	− 25
United Mizrahi Bank	855	+ 53
Hassneh Insurance Br.	427	−269
Gen. Mort. Bank Br.	920	− 40
'Tefahot' Israel Mort. Bank Br.	970	− 20
Land Development		
Africa Israel Inv.	3,950	+960
Israel Land Dev. Br.	1,580	− 10
Property and Building	1,405	+ 16
Public Utility		
Israel Electric Corp.	1,688	+ 36
Investment Companies		
Bank Leumi Invest.	730	− 40
"Clal" Israel Invest.	900	+ 5
Discount Invest.	980	− 50
Commercial and Industrial		
Alliance Tire and Rubber	5,590	−110
Elco Br.	1,250	+144
Argaman Textile Br.	552	− 53
"Ata" Textile "B"	290	—
Amer. Israeli Ppr. Mills	1,650	—
Assis	902	+232
Elite	2,110	− 50
Teva Reg.	1,380	+ 20
Fuel and Oil		
Delek	543	−194

Source: Bank Leumi le Israel BM, Tel Aviv.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Companies and Markets **INTL. COMPANIES & FINANCE**

HK$222m shipping merger for Carrian Investments

BY OUR HONG KONG CORRESPONDENT

CARRIAN INVESTMENTS has announced a merger of its shipping interests with Grand Marine Holdings, the Hong Kong-based holding company for a group of Panamanian and Liberian shipping companies, in a deal worth about HK$222m (U.S.$37.62m).

The merger will be brought about in four stages. Initially, Carrian, through a subsidiary, Carrian Shipping, will transfer its shipping fleet into Grand Marine in exchange for 29.195m newly-issued HK$2 nominal Grand Marine shares priced at HK$7.60 each. Carrian also agreed to acquire 18.2m existing shares in Grand Marine from its principal shareholders, the Li family and Jardine Matheson at HK$7.60 each. At present the Li family controls just over 50 per cent of Grand Marine and Jardine just under 20 per cent.

The consideration, amounting to HK$138.32m, will be satisfied by HK$82.99m in cash and 5.824m new Carrian shares which have been valued at HK$9.50.

The Li family and Jardine intend to hold the major portion of the new shares in Carrian as a long-term investment. In the final two stages, Carrian will extend a general offer designed to leave 54 per cent of Grand Marine in its hands, then a rights issue will be made to which Carrian will only subscribe to the extent necessary to maintain its holding.

The merger will result in a much-enlarged company with a fleet of 63 ships amounting to 1.65m dwt and a net asset value of HK$780m.

Grand Marine is a classic case of a well-run company which found itself suffering at the hands of high finance charges. Before the agreement with Carrian, Grand Marine had a net worth of about HK$560m. Expansion in the seventies had lifted its level of debt and the increases in interest rates during the past two years or so had brought the debt service to a level where it was challenging the level of profit.

The Carrian Group, meanwhile had been buying up a number of small shipping companies.

Grand Marine reported a dip in operating profits for 1980 to HK$17.34m although sales of vessels took consolidated net profit to HK$41.73m, up from HK$38.36m in 1979. In addition, there was a net currency translation gain of HK$16.08m.

APPM lifts profits to a record A$39m

By Our Financial Staff

DESPITE A FALL in demand from the international paper market in the second half, Associated Pulp and Paper Mills (APPM), the Australian manufacturer of fine papers managed to push up operating profits by 49 per cent to a record A$39.42m (U.S.$43.36m) from A$26.45m for the year ended June 30. Sales advanced by 16.4 per cent to a record A$376.23m from A$324.37m.

After provision for depreciation and taxation profit rose to A$20.05m from A$14.32m. A final dividend of 9 cents per share has been declared which brings the total for the year to 18 cents against 15 cents.

The company said that demand for its forestry and timber products remained relatively stable during the year, but towards the end of the 12 months the demand for export woodchips declined considerably as the full effects of the setback in the international paper market, over-capacity, and excessive inventories in Japan, bit output. Those conditions still apply.

Production costs continued to climb during the year and price increases obtained did not fully cover the increase.

Planning Research in the red

By Our Financial Staff

Planning Research Corporation, the Washington-based company which provides professional services to government, business and industry in computer system design and analysis, has decided to close its computer systems and service operations in Asia. It is also to close its mass property appraisal operation in the U.S.

The company reported a sharp fall into the red to $1.39m for the year ended June 30 compared to a profit of $5.51m for the previous year. Sales advanced $314.4m compared with $280.9m a year ago. There were operating losses amounting to $5.82m from businesses terminated during the year and write-offs on transfers to reserves of $2.99m

Hilti acquires stake in German fastener maker

BY JOHN WICKS IN ZURICH

HILTI the Liechtenstein-based industrial concern, has acquired a majority holding in Bukama-Haubold, the West German company.

The Bukama-Haubold production programme of pneumatic nailing and stapling equipment is to be integrated into that of Hilti, already one of the world's leading manufacturers of fastening systems. Hilti sees the acquisition as providing it with a well-known brand with a substantial market share.

Bukama-Haubold will continue to operate under its own name and with its existing range of products, to which new items are to be added.

● Fafco, the American company, and Euroc, the Swedish industrial concern, have set up a joint venture company in Switzerland for the manufacture and European sales of solar collectors for the heating of swimming pools.

The new company, to be known as Fafco S.A. and based in Bienne, is intended to start production next February, reaching full output with some 50 employees by 1985. Sales are expected to reach SwFr 16m ($7.58m) annually by 1985.

The U.S. partner is the world's biggest manufacturer of swimming pool solar-collector heaters. Euroc operates primarily in the field of building and chemicals products and electrical plant.

Borg Warner bid delayed

CANBERRA—The Australian Treasurer, Mr John Howard has delayed the bid by Borg Warner (Australia), the automotive components offshore of Borg Warner of the U.S. for Ralph McKay, the agricultural implements maker.

Mr Howard has issued an order postponing approval of the bid for 90 days to allow the Foreign Investment Review Board to examine the move. Reuter

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
APV	Sept 25	Int. 2.8
Adwest	Sept 29	Final 5.33
Anglo Amer. Inv. Tst.	Oct. 2	Int. 260 cents
Armstrong Equipment	Sept 24	Final 1.72
*BICC	Sept 9	Int. 3.03
BSR	Sept 10	Int. nil
*BTR	Sept 10	Int. 5.25
*Bank of Scotland	Sept 22	Int. 8.0
*Barratt Devs.	Sept 22	Final 8.85
Berkeley Hambro	Sept 25	Int. 3
*Bilton (Percy)	Oct 1	Int. 2.5
*Blackwood Hodge	Sept 10	Int. 1
*Booker McConnell	Sept 17	Int. 1.25
*Bowater	Sept 9	Int. 4.25
*British Aerospace	Sept 15	Int. due
Brixton Estate	Sept 25	Int. 1.46
*Burmah Oil	Sept 16	Int. 1.5
*Cons. Gold Fields	Sept 15	Final 15.0
*Costain	Sept 8	Int. 4.0
Currys	Sept 29	Int. 1.5
Dalgety	Sept 17	Final 11.0
DRG	Sept 22	Int. 3
Dunlop	Sept 25	Int. 2.65
Eagle Star	Sept 17	Int. 5.0
*European Ferries	Sept 10	Int. 1.725
*Fisons	Sept 21	Int. 6.9
Grattan Warehouses	Sept 24	Int. 1.866
*GKN	Sept 17	Int. 4.0
*Harrisons Malay Ests.	Sept 9	Final 5.5
*Hepworth Ceramic	Sept 10	Int. 2.25
*House of Fraser	Sept 9	Int. 2.0
*Howden (A.)	Sept 24	Int. 3.5
*IMI	Sept 8	Int. 2.0
*Kleinwort Benson	Sept 22	Int. 3
Laporte Inds.	Sept 19	Int. 3.5
*Lead Inds.	Sept 10	Int. 3.7
Legal and General	Sept 17	Int. 3.0
*London Merch. Secs.	Sept 15	Final 0.8
Mills and Allen Int.	Sept 24	Final 1¶
Morgan Crucible	Sept 4	Int. 4.5
NEI	Sept 4	Int. 1.25
*Nurdin and Peacock	Sept 8	Int. 1.875
Pearson Longman	Sept 9	Int. 3.75
*Pearson (S.)	Sept 14	Int. 3.75
*P & O	Sept 9	Int. 3.0
*Prudential Corpn.	Sept 10	Int. 4.0
*Rnsm. Sims & Jefferies	Sept 21	Int. 3.14
Ready Mixed Concrete	Sept 30	Final 3.7
*Reckitt and Colman	Sept 8	Int. 3.5
Reed (Austin)	Oct 2	Int. 0.9
RTZ	Sept 17	Int. 5.5
Rockware	Oct 8	Nil
Rowntree Mackintosh	Sept 16	Int. 2.5
Scot. Mtrpltn. Prop.	Oct 3	Final 2.0
Sears Hldgs.	Oct 7	Int. 0.7
Simon Engng.	Sept 16	Int. 4.0
*Stand. Chartd. Bank	Sept 8	Int. 12.0
*Steetley	Sept 17	Int. 4
*Tarmac	Sept 21	Int. 5.5
*Tilling (T.)	Sept 9	Int. 3.5
*Travis and Arnold	Sept 15	Int. 0.54
Tricentrol	Sept 17	Int. 2.8
*Turner and Newall	Sept 10	Int. 3.0
UDS	Sept 18	Int. 2.5
*Utd. Biscuits	Sept 10	Int. 1.87
†Vickers	Sept 24	Int. 4.55
*Willis Faber	Sept 15	Int. 3.8
*Wimpey (G.)	Sept 24	Int. 0.85
*Yorkshire Chems.	Sept 10	Int. nil

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective September 5

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	14¾	14¾	15¼	15¾	15½	15⅝
Over 5, up to 10	15¼	15¾	15¼	15⅞	16	16
Over 10, up to 15	15⅜	15½	15⅜	16¼	16	15⅞
Over 15, up to 25	15½	15⅝	15⅜	16	15⅞	15⅞
Over 25	15⅝	15⅝	15⅜	15⅞	15⅞	15⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

Companies and Markets **CURRENCIES, MONEY and GOLD**

A taxing time for the Bank

BY COLIN MILLHAM

When the new system of money market control and increased disclosure of information was introduced on August 20 it could be argued that the Bank of England had picked the worst possible time to start.

The authorities' reputation for credible forecasting was severely dented in the first few days when predicted surpluses turned into shortages, leaving the market nervous and bemused. It was not difficult to find the reason, which was the erratic flow of funds into the Exchequer. The end of the civil service dispute has produced the expected backlog of delayed tax, but it has been very difficult to predict how much will go through the system in any one day.

On the other hand the authorities could be excused a slight feeling of satisfaction over the way the Petroleum Revenue Tax situation was handled. Shortages on an alarming scale would have occured last week because of PRT payments, but rather ironically it finished up as a remarkably quiet period. The only shortage was on Friday, and this had nothing to do with PRT, but was largely caused by the unwinding of a repurchase agreement on bills.

Virtually the entire £2bn of PRT seems to have been paid made on Tuesday, but was offset by maturing Treasury bills specially issued for that purpose and one or two other factors, while about £½bn of the tax was paid in the form of Certificates of Tax Deposit. There was no intervention in the market, and overnight interbank money closed at 5 per cent. It was a similar story on Wednesday and Thursday, with money available at the end of the day in low single figures.

Seven-day funds, which firmed to 13-13¼ per cent the previous week on expectations of difficult times to come, fell back to 12½-12⅞ per cent as the comfortable conditions developed.

Apart from concern about PRT, and a fair amount of activity in the bill market, reflecting the advantages of currency bill rates over the cost of overdraft borrowing, the money market was rather quiet.

THE POUND SPOT AND FORWARD

Sept 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8400-1.8520	1.8425-1.8435	0.68-0.78c dis	−4.75	2.18-2.28 dis	−4.84
Canada	2.2040-2.2160	2.2070-2.2080	1.58-1.68c dis	−8.86	4.20-4.40dis	−7.79
Nethlnd.	4.92½-4.97½	4.93¾-4.94¾	⅛-⅝c dis	−0.91	¼-⅛ dis	−0.30
Belgium	72.80-73.30	72.85-72.95	35-45c dis	−6.58	130-140 dis	−7.41
Denmark	13.94-14.01	13.95-13.96	7¼-8¼ore dis	−6.66	16-17¾ dis	−4.84
Ireland	1.2170-1.2270	1.2180-1.2200	0.32-0.43p dis	−3.69	0.98-1.11dis	−3.43
W. Ger.	4.43½-4.48	4.44¼-4.45¼	⅝-⅛pf pm	1.01	1¾-1⅛ pm	1.35
Portugal	120.20-121.30	120.50-120.80	60-145c dis	−10.19	195-390 dis	−9.70
Spain	175.75-180.00	178.90-179.20	85-115c dis	−6.70	255-295 dis	−6.14
Italy	2232-2241	2233-2235	29¾-31¾lire dis	−16.79	98½-101½dis	−17.90
Norway	11.12-11.19	11.14-11.15	½ore pm-¾ dis	−0.13	1½-¼ pm	0.36
France	10.67-10.73	10.68-10.69	8¼-9¼c dis	−9.83	28¼-29¼dis	−10.76
Sweden	9.55-9.60	9.57½-9.58½	1¼-2¼ore dis	−2.19	2⅜-3⅜ dis	−1.20
Japan	422-427	423-424	2.10-1.80y pm	5.52	6.70-6.40 pm	6.19
Austria	31.25-31.40	31.30-31.35	6-1gro pm	1.34	7 pm-3 dis	0.25
Switz.	3.85½-3.90½	3.86¾-3.87¾	⅞-⅜c pm	1.94	3¼-2¾ pm	3.10

Belgian rate is for convertible francs. Financial franc 79.55-79.65. Six-month forward dollar 4.13-4.23c dis. 12-month 6.80-7.00c dis.

THE DOLLAR SPOT AND FORWARD

Sept 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8400-1.8520	1.8425-1.8435	0.68-0.78c dis	−4.75	2.18-2.28dis	−4.84
Ireland†	1.5035-1.5130	1.5100-1.5130	0.10-0.20c dis	−1.19	0.45-0.55dis	−1.33
Canada	1.1962-1.1976	1.1970-1.1973	0.38-0.43c dis	−4.06	0.84-0.89dis	−2.89
Nethlnd.	2.6770-2.6900	2.6820-2.6860	0.97-0.87c pm	4.12	3.10-3.00 pm	4.55
Belgium	39.53-39.67	39.54-39.56	6-10c dis	−2.43	25-30 dis	−2.78
Denmark	7.5600-7.5910	7.5600-7.5700	1.10-1.35ore dis	−1.94	¼ pm-¼ dis	—
W. Ger.	2.4050-2.4250	2.4120-2.4130	1.19-1.13pf pm	5.77	3.69-3.63 pm	6.07
Portugal	65.45-65.70	65.50-65.70	10-50c dis	−5.50	30-130 dis	−4.88
Spain	97.00-97.50	97.25-97.35	10-30c dis	−2.47	30-50 dis	−1.64
Italy	1212-1213¾	1212¼-1213¼	12½-14lire dis	−13.11	40-43 dis	−13.69
Norway	6.0250-6.0630	6.0250-6.0350	2.60-2.10ore pm	4.68	7.75-7.25 pm	4.97
France	5.7850-5.8200	5.7975-5.8025	3¼-4c dis	−7.52	10-11½ dis	−7.44
Sweden	5.1725-5.2030	5.1725-5.1825	1.25-1.05ore pm	2.66	4.80-4.60 pm	3.63
Japan	229.50-230.50	229.70-229.80	2.10-1.95y pm	10.58	6.35-6.20 pm	10.92
Austria	16.92-17.01	16.97¼-16.98¼	9.80-8.30gro pm	6.40	25-21 pm	5.42
Switz.	2.0900-2.1100	2.0970-2.0980	1.30-1.20c pm	7.15	4.22-4.12 pm	7.95

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Sept. 4		Sept. 3	
Gold Bullion (fine ounce)				
Close	$437-439	(£237-238)	$435-437	(£235½-236½)
Opening	$441-443	(£239-240)	$435½-437½	(£235¾-236¾)
Morning fixing	$440.25	(£238.398)	$435.25	(£235.398)
Afternoon fixing	$439.50	(£237.889)	$436.50	(£236.214)
Gold Coins				
Krugerrand	$451¼-452¼	(£244¾-245¼)	$448½-449½	(£242¾-243¼)
1/2 Krugerrand	$232¼-233¼	(£126-126½)	$234-235	(£126¾-127¼)
1/4 Krugerrand	$118¼-119¼	(£64¼-64¾)	$119-120	(£64½-65)
1/10 Krugerrand	$48¼-49¼	(£26¼-26¾)	$50-51	(£27-27½)
Mapleleaf	$451¼-452¼	(£244¾-245¼)	$448½-449½	(£242¾-243¼)
New Sovereigns	$109¼-109¾	(£59¼-59½)	$108¼-109	(£58½-59)
King Sovereigns	$122-124	(£66¼-67¼)	$122-124	(£66-67)
Victoria Sovs.	$122-124	(£66¼-67¼)	$122-124	(£66-67)
French 20s	$126-131	(£68¼-71)	$125-131	(£67¾-71)
50 pesos Mexico	$544-547	(£295¼-296¾)	$541-544	(£293-294½)
100 Cor. Austria	$425-428	(£230½-232¼)	$422-425	(£228½-230)
$20 Eagles	$578-583	(£313½-316¼)	$575-580	(£311¼-314)

OTHER CURRENCIES

Sept. 4	£	$		£ Note Rates
Argentina Peso	9967-9987†	5383-5403†	Austria	31.20-31.60
Australia Dollar	1.6005-1.6045	0.8695-0.8700	Belgium	79.25-80.05
Brazil Cruzeiro	188.99-189.99	102.18-102.69	Denmark	13.91-14.06
Finland Markka	8.342-8.350	4.5240-4.5250	France	10.66-10.86
Greek Drachma	107.665-118.928	59.18-59.25	Germany	4.43½-4.48½
Hong Kong Dollar	10.94¼-10.96½	5.9330-5.9380	Italy	2195-2260
Iran Rial	149.35*	81.15*	Japan	424-429
Kuwait Dinar (KD)	0.518-0.524	0.2829-0.2832	Netherlands	4.93-4.98
Luxembourg Fr	72.85-72.95	39.54-39.56	Norway	11.11-11.23
Malaysia Dollar	4.3625-4.3725	2.3650-2.3680	Portugal	118¼-126¾
New Zealand Dlr.	2.2150-2.2250	1.2025-1.2035	Spain	174-185½
Saudi Arab. Riyal	6.27-6.33	3.4195-3.4220	Sweden	9.53-9.83
Singapore Dollar	3.9875-3.9975	2.1610-2.1630	Switzerland	3.85¾-3.89¾
Sth. African Rand	1.7435-1.7445	0.9460-0.9470	United States	1.83¾-1.85¾
U.A.E. Dirham	6.74-6.80	3.6690-3.6720	Yugoslavia	75-08

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,726-13,746 and for the dollar 7,400-7,450. *Selling rate.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Sept. 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12¼-13½	17-17¼	21-22	13⅝-13¾	—	11⅞-12	18-20	—	12½-17½	7-7¼
7 days' notice	12⅞-13⅛	17⅛-17⅜	21-22	13⅝-13¾	9-10	12-12⅛	19-21	24-27	15-19	7⅛-7¼
Month	13 5/16-13 7/16	17 15/16-18 3/16	21¾-22⅛	13¾-13⅞	10⅝-10¾	12⅛-12¼	24-25	29¾-31¼	19¾-21½	7⅜-7½
Three months	13¾-13⅞	18 7/16-18 11/16	21⅜-21⅝	13¾-13⅞	10 7/16-10 9/16	12⅜-12½	24-25	31¼-32¼	21-21¾	7⅜-7½
Six months	14-14 1/16	18⅝-18⅞	20⅝-21	13 13/16-13 15/16	10 3/16-10 5/16	12⅝-12¾	23½-24½	30¾-31¾	20-20¾	7 5/16-7 7/16
One Year	14⅛-14¼	17 15/16-18 3/16	19⅝-20	13 9/16-13 11/16	9⅜-9½	12 5/16-12 7/16	22-23	29¾-30¾	18½-19¾	7 5/16-7 7/16

SDR linked deposits: one-month 15¾-16⅛ per cent; three-months 16⅜-16⅞ per cent; six-months 16⅜-16⅞ per cent; one-year 15¾-16 per cent.

SCU linked deposits: one-month 17 7/16-17 11/16 per cent; three-months 17 7/16-17 11/16 per cent; six-months 17 5/16-17 11/16 per cent; one-year 16¾-17 per cent.

Asian $ (closing rates in Singapore): one-month 18 1/16-18 3/16 per cent; three-months 18⅝-18¾ per cent; six-months 18¾-18⅞ per cent; one-year 18 11/16-18 13/16 per cent. Long-term Eurodollar two-years 17¼-17⅜ per cent; three-years 17-17¼ per cent; four-years 16¾-17 per cent; five-years 16⅝-16⅞ per cent; nominal closing rates.

The following nominal rates were quoted for London certificates of deposit: one-month 17.85-17.95 per cent; three-months 18.30-18.40 per cent; six-months 18.45-18.55 per cent; one-year 17.80-17.90 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 4)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 9/16	offer 18 11/16	bid 18 11/16	offer 18 13/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rate for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Sept. 4 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	5-12⅝	12¼-12⅞	—	—	12¼-12¾	4-12½	—	—	—
2 days notice	—	—	12⅞-13	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-13⅞	13⅛-13¼	—	12⅞	12¾-13⅛	12⅛-12⅜	—	—	—
One month	13⅝-13⅛	13⅛-13⅜	13⅜	14¼-14	13 5/16	13⅜-13½	12¾	12 11/16-12½	12 1/2-12 3/4	13⅞
Two months	13½-13 7/16	13⅜-13½	—	14¼-14	13⅜	13¾-13⅞	13	12½	12 15/16-13	13⅞
Three months	13¾-13 9/16	13⅝-13 11/16	13⅞	14¼-14	13¾	13⅞-14	13⅛	13 1/16-13⅛	13 1/16	13⅞
Six months	14-13⅞	13 15/16-14⅛	14	13¾-13½	14⅛	—	—	—	13 3/16	14
Nine months	14⅛-14	14 1/16-14 3/16	—	14⅜-14	14 3/16	—	—	—	—	—
One year	14 3/16-14 1/16	14 1/16-14¼	14⅝	14⅜-14	14 5/16	—	—	—	—	—
Two years	—	—	14⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14½ per cent; four years 14⅝ per cent; five years 14¾ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 9/16 per cent; four-months trade bills 13⅞ per cent.

Approximate selling rate for one-month Treasury bills 12 7/16-12 11/16 per cent; two-months 12 13/16 per cent; three-months 13 per cent. Approximate selling rate for one-month bank bills 12 11/16-12¾ per cent; two-months 12⅞ per cent and three-months 13 1/16-13⅛ per cent; one-month trade bills 13¾ per cent; two-months 13⅝ per cent and three-months 13⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from September 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rate of discount 13.0768 per cent.

CURRENCY RATES

Sept. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.615950	0.561197
U.S. $	14	1.13612	1.03488
Canadian $	20.69	1.36107	1.23975
Austria Sch.	6¾	19.3004	17.5821
Belgian F.	13	45.0330	41.0834
Danish K.	11	8.61066	7.84932
D mark	7½	2.74627	2.50692
Guilder	9	3.05048	2.78115
French Fr.	9½	6.59177	6.01483
Lira	19	1378.11	1255.79
Yen	6¼	261.648	238.584
Norwgn. Kr.	9	6.88261	6.26653
Spanish Pta.	8	110.612	100.773
Swedish Kr.	12	5.90385	5.38017
Swiss Fr.	6	2.38415	2.17680
Greek Dr'ch.	20½	—	61.3766

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Am. Gth. Tst.	63.5	68.3	-1.2	2.12
Abbey Capital	[illegible]	[illegible]	-0.9	3.86
Abbey General	[illegible]	66.8	-1.4	4.59
Abbey Gilt & F.I. 1st	[illegible]	101.3xd	-0.2	12.93
Abbey Income	[illegible]	41.5	-0.4	8.45
Abbey W'w.Bd.Tst.	[illegible]	103.9	+0.1	6.44
Abbey Inv. Ts. Fd.	57.5	62.1xd	-0.4	3.86
Equitas Prog. Tst.	89.5	96.5	-1.9	4.23

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-629 6314.

AHR Gilt Trust	82.9	87.2xd	.....	13.25

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	95.0	101.7xd	-1.7	5.14
Brit. Inds. Fund	[illegible]	[illegible]	-1.2	5.85
Growth & Income	[illegible]	[illegible]	-1.0	4.38
Elect. & Ind. Dev.	50.0	[illegible]	-1.1	4.49
Allied Capital	107.5	115.0	-2.2	3.82
Hambro Fund	[illegible]	[illegible]	-2.9	5.25
Hambro Acc. Fund	204.5	218.8	-4.0	3.35

Income Funds

High Yield Fd.	68.1	72.9xd	-0.7	8.23
High Income	[illegible]	90.0xd	-1.4	7.11
Equity Income Fd.	[illegible]	52.4xd	-0.7	7.08
Govt. Secs.	23.8	24.4	.....	12.70

International Funds

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	[illegible]	39.2xd	-0.4	11.60
North American	[illegible]	[illegible]	-1.4	2.42
Canadian Exempt*	[illegible]	82.0	.....	2.80
Canadian Trust	[illegible]	73.9	-2.4	2.41
Mid Mount High Inc.*	[illegible]	42.4	.....	9.92
Recovery	[illegible]	63.1	-0.4	4.80
Gilt Trust	39.4	41.3xd	-0.1	14.03

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	43.8	47.3	-1.1	0.53
Cres. Internat'l.	[illegible]	101.8	-1.1	1.49
Cres. High. Dist.	44.8	48.3	-0.5	9.32
Cres. Reserves	54.2	58.5xd	-1.1	5.13
Cres. Tokyo	42.4	45.6xd	-0.1	0.27

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.4	25.0	.....	7.17

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Aug 27	262.8	280.2	.....	4.71

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	[illegible]	27.9xd	.....	9.30
Gt. Winchester O'seas	30.8	34.2xd	.....	3.40

For Erneis and Oakley see Robert Fraser Tst. Mngmt.

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	98.1	103.2	-2.0	4.25

Fidelity International Management Ltd.
62-68 Queen St, London EC4 1AD 01-248 4891

American	38.9	41.9	-1.2	0.40
Amer. Spec. Sits.	[illegible]	31.8	-0.8	0.05
Gilt & Fixed Int.	22.9	24.0	-0.1	13.35

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114
Equity Accum. (2)

Local Authorities' Mutual Invest. Trust
77, London Wall, EC2N 1DB. 01-588 1815
Property Fd. July
Wider Fund July
Narrower Fd. July
*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
American
(Accum. Units)
American Recovery
(Accum. Units)
Australasian
(Accum. Units)
Commodity
(Accum. Units)
Compound Growth
Conversion Growth
Conversion Income
Dividend
(Accum. Units)
European
(Accum. Units)
Extra Yield
(Accum. Units)
Far Eastern
(Accum. Units)
Fund of Inv. Tsts.
(Accum. Units)
General
(Accum. Units)

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPERS, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	42	—	Q2.5c	—	3.7
—		ACM 20c	25	—	—	—	—
—		Argosy Gold NL 25c	12	—	—	—	—
—		Bond Corp	174	—	Q10c	♦	3.6
Nov.	Apr.	Bougainville 1 Kina	180	7.3	tQ25.4c	1.6	‡
		CRA 50c	224	16.3	Q19c	1.7	5.2
—		Cascada Northwest	15	—	—	—	—
—		Carr Boyd 20c	15	—	—	—	—
—		Central Pacific	[illegible]	—	—	—	—
—		Cons. Gold Min. NL 50c	[illegible]	—	—	—	—

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]

IRISH

[illegible]

OPTIONS

3-month Call Rates

[illegible]

"Recent Issues" and "Rights" Page 20

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FINANCIAL TIMES

Monday September 7 1981

EEC backs bid for 5-nation agreement

By John Wyles

EEC foreign minister backed a fresh bid for agreement later this month by five nations spearheading the search for Namibian independence, although it was acknowledged that important differences between the U.S. and France remain.

At a meeting chaired by UK Foreign Secretary Lord Carrington at Brocket Hall, Hertfordshire, the Ministers were encouraged by indications from U.S. Secretary of State Alexander Haig that "considerable progress" had been made in the last few days during U.S.-South African negotiations.

M Claude Cheysson, the French Foreign Minister, is believed to have emphasised that French differences with the U.S. over constitutional guarantees for the white minority in Namibia and the peace-keeping role will not be settled without difficulty.

A ministerial meeting of the five nation contact group on Namibia will take place in New York on September 24.

At Brocket Hall M. Cheysson is believed to have been firmly rebuked for last month's surprise Franco-Mexican declaration, backing a role for the El Salvadorean guerrillas.

M. Cheysson5s EEC colleagues left no doubt about their irritation about the lack of prior consultation by a French Government publicly committed to acting closely with partners.

On the Middle East, Ministers felt they must wait for a more detailed U.S. policy on the Arab-Israeli conflict before they can take their peace initiative any further.

They regard a statement last month by Saudi Arabia's Crown Prince Fahd that "all States in the area should be able to live in peace," as evidence of a dawning public readiness by moderate Arabs to raise the issue of Israel's right to exist.

After discussions among their officials over many months, the Ministers signalled their agreement yesterday to introduce some modest reforms to make their foreign policy consultations more effective.

These will include the creation of a very small, high-powered group of officials to help the preidency country to fulfill its responsibilities in the foreign policy area, as well as a procedure for calling emergency meetings of the Ten and for consulting with third countries, principally the U.S.

U.S. IN PRIVATE TALKS WITH SOUTH AFRICA

Namibia plan 'progressing'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. has made considerable progress on a plan for Namibian independence in private negotiations with South Africa, Mr Alexander Haig, U.S. Secretary of State said at the weekend.

The main areas of progress were reported to be renewed South African acceptance of United Nations Security Council Resolution 435, which launched the UN-sponsored independence negotiations in 1978, and agreement by Pretoria to a UN peace-keeping force to guarantee free elections and to protect Namibia from outside attack.

In a hardening of the South African position over the past three years, Pretoria had backed away from Resolution 435 and rejected the peace-keeping force on the grounds of UN bias towards Swapo (South West Africa People's Organisation).

The South Africans were also said to have listed a number of detailed constitutional guarantees for a settlement and asked for "confidence building measures." The U.S. believes that such measures are already largely contained in the 1978 UN documents, at least in spirit.

Mr Haig acknowledged at the weekend that a final solution had not yet been reached. "We're not where we want to be yet," he said. "But we are farther ahead on where we want to be."

Mr Haig's remark were intended to rebut criticism of the U.S. for its veto last Monday of a Security Council resolution condemning the South African raid into Angola—a raid the South Africans said was intended to wipe out the bases of Swapo guerrilllas fighting for Namibian independence.

Mr Haig's point was that it was only by maintaining good relations with Pretoria that the U.S. could hope to "influence South African attitudes."

"I think it's very important for critics of contemporary U.S. policies to understand that our judgments have to be based on what we do that is designed to bring about the objective which we all commonly seek—the earliest possible independence for Namibia," he said.

It was the U.S. that had, in a dialogue with South Africa, "made progress which thus far goes beyond that of previous years," he told the New York Times.

This is a claim that is unlikely to please the other four members of the Namibia Contact Group (Britain, France, West Germany and Canada), who have been working alongside the U.S. to try to find a solution.

The U.S. now plans to discuss the developments reported by Mr Haig with the other Contact Group members, with the aim of presenting a detailed set of proposals to South Africa and the black African parties in Namibia.

Bernard Simon adds from Johannesburg: Observers in South Africa have confirmed Mr Haig's claim that progress is being made in negotiations with Pretoria for a political settlement in Namibia.

Resolution 435 envisages a cease-fire followed by UN-supervised elections and a constitutional conference.

The present talks are believed to centre on matters such as the composition of the supervisory force and the size and situation of South African and other bases in the run-up to elections.

Angola postpones mercy mission, Page 2

Solidarity 'leads Polish revolution and renewal'

BY OUR FOREIGN STAFF

SOLIDARITY, Poland's independent trade union, declared yesterday that it will lead the "revolution" now under way and bring the country out of the economic and social crisis.

A keynote statement, read at the union's first congress in Gdansk, charged the Communist authorities with failing to solve the nation's problems.

"We are convinced that a revolution is developing in Poland and that Solidarity is its driving force," the statement said.

"We have resolved to take into our hands the responsibility for the country's renewal."

The union softened its tone, however, with a conciliatory gesture towards the Government. "We consider it is fully possible to arrange relations between the authorities and society by means of dialogue and negotiation," the statement said.

Fears that the Government does not share this view were reflected in a warning that there were some groups "looking for ways of going back to the past, and who are aiming at the destruction of Solidarity."

As the congress entered its second day, the Soviet Union once again heightened tensions with the revelation that its "limited" military manoeuvres near Poland's eastern border and in the Baltic, involved about 100,000 troops.

Western experts said they were "astonished" by the scale of the exercises, which were the biggest in the area since the 1940s.

The Solidarity statement, read to the congress by the union's national secretary, Mr Andrzej Celinski, instructed delegates to prepare a programme of action to help the economy.

The union ruled out, however, any measures which would lower living standards of the worst-off, or lead to massive unemployment.

Workers are already responding to Solidarity's recent appeal for greater productivity. The union last month asked miners to work on Saturdays until the end of the year.

Last weekend, 50 of the country's 66 mines were working. Coal output this year is expected to improve to 165m

While Solidarity's regional leaders were meeting in Gdansk, union officials were once again striving to keep the peace in Bydgoszcz. Dozens of prisoners broke out of a city prison after a riot early yesterday following the shooting of an inmate trying to escape.

CEGB to cut 1,700 jobs and trim plant

THE Central Electricity Generating Board plans to cut 1,700 jobs and shelve or close elderly, high cost plant with a total output of 3,308 Megawatts next year.

The cuts planned at 21 power stations come on top of the closure this year of 20 plants with a capacity of 3,400 Mw, resulting in 3,200 job losses.

The board shuts elderly plants every year but the closure rate this year and next is far greater than the 600 to 800 Mw closed in a normal year.

Informal talks have begun with unions on next year's plans and the board will put forward firm proposals on October 27 at a meeting of the industry's joint council.

The high closure rate is due largely to the sharp drop in electricity demand produced by the recession and the fact that the generating board will have three nuclear power stations with low running costs coming on stream over the next 18 months—at Heysham, Hartlepool and Dungeness.

This means the CEGB will have a substantial surplus of capacity relative to demand—and at a time when it is under strong cost control pressures.

The cuts at the 21 plants next year could save £150m over the decade.

Not all the plants will be completely shut or mothballed. At several some generating sets will remain on the active list.

The board hopes some of the workers can be transferred to other plants. Job losses will be lower next year than this partly because five of the stations run gas turbines and these are largely remote-controlled.

A board spokesman said yesterday: "The decommissioning process is something we discussed with the unions every year. The new proposals come about because we have plant that is surplus to our forseeable requirements and which is very expensive to operate compared to our large, modern units."

The closures will have little impact on the level of the generating board's purchases of coal from the National Coal Board because many of the stations on the closure list are not now supplying electricity anyway.

The CEGB is hoping Courtaulds might buy one of the plants—Spondon, Derbyshire, which is a combined heat and power plant supplying steam to one of the company's factories.

Sadat to hold ballot on purges

BY ANTHONY McDERMOTT IN CAIRO

PRESIDENT Anwar Sadat of Egypt will this week submit to a national referendum the sweeping measures he announced over the weekend to combat sectarian strife and curb political opposition.

Mr Sadat, confirming that 1,536 people had been arrested in a purge last week, announced on Saturday:

- The dismissal of Pope Shenouda as patriarch of the Christian Coptic Church, and the dissolution of 10 Moslem and three Coptic societies.
- The closure of seven publications including the weekly paper of the Socialist Labour Party.
- The transfer of 67 journalists and broadcasters to the State information service.
- The removal of several university and high school teachers to "other jobs."

The refendum on Thursday is expected to result in approval for Mr Sadat's measures. In the past similar polls have produced more than 98 per cent approval for presidential actions.

Sadat uses religious right to deal with opposition, Page 2
Begin goes to Washington, Page 13
Editorial comment, Page 12

Leaders of the Coptic Church yesterday insisted, however, that Pope Shenouda would remain as their spiritual head.

The Pope, who was officially appointed by Mr Sadat in October, 1971, was believed yesterday to be in a monastery in the Western Desert.

He has been replaced by a five-man commission of bishops. Bishop Samuel, one of the five, yesterday said Pope Shenouda would remain the Copts' spiritual leader.

But the initial reaction among Copts seems to be acceptance of his removal as a tolerable exchange for Mr. Sadat's stern condemnation of Moslem extremists and his accompanying measures.

In a speech announcing his clampdown, Mr Sadat concentrated on producing evidence that the clashes between Moslems and Copts which led to more than 20 people being killed in two separate incidents in Cairo in June and July, had been orchestrated and exploited not only by religious fanatics but also by journalists and politicians.

Mitterrand plan Continued from Page One

solely in terms of getting a fair return.

The Socialist Government still does not seem ready to take decisions over the restructuring of the budget though the three month delay for which it asked on taking office to review its position has almost elapsed.

President Mitterrand is expected to be accompanied by a strong team on his visit to London, reflecting his anxiety for European co-operation on a wide variety of fronts. Outstanding issues to be taken up include Namibia, the Middle East, Afghanistan, Concorde, the European Airbus, the Channel tunnel and the turkey dispute.

Support for Healey Continued from Page One

Union—all very large unions.

In his television interview Mr Healey sought to meet some of the arguments used against the last Labour Government by supporters of Mr Benn. He said it was nonsense to maintain that Britain's crisis was the fault of civil servants, the Common Market, the IMF and Nato.

Mr Healey's television attack on Mr Benn followed the publication yesterday of a pamphlet setting out his personal political philosophy and staking his claim to the deputy leadership on grounds of long experience of the reality of politics and belief in the principles of democratic socialism.

The appeal for support, which will be sent to all Labour MPs, constituency parties and affiliated trade unions, clearly underlines the difference in style and belief between Mr Healey and Mr Benn.

Weather

UK TODAY

Rain spreading throughout the day, with a bright start in eastern areas.

London, SE, E, Central S. E, Central N and NE England E Anglia, E Midlands, Border, Edinburgh, Dundee and Aberdeen
Bright and dry, perhaps some rain later. Max. 23C (73F).

W Midlands, NW England, Lake District, Isle of Man, SW Scotland, Glasgow, Central Highlands, Argyll and N. Ireland
Rather cloudy, outbreaks of rain after a dry start. Max. 23C (73F).

SW England, Wales, Channel Islands
Cloudy, outbreaks of rain, heavy in places. Max. 23C (72F).

NE and NW Scotland, Orkney, Shetland
Cloudy, outbreaks of rain and drizzle. Max. 16C (61F).

Outlook: unsettled. Showers, heavy in places, but also sunny intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	77	Locarno	S	24	75
Algiers	S	29	84	London	S	23	73
Amsdm.	S	23	73	L. Ang.†	R	19	66
Athens	C	28	62	Luxmbg.	S	22	72
Barclna.	S	27	81	Luxor	S	38	100
Beirut	S	29	64	Madrid	S	30	86
Belgrd.	C	20	68	Majorca	S	27	81
Berlin	S	21	70	Malaga	S	28	81
Biarritz	S	28	82	Malta	S	27	81
Bmghm.	S	22	72	M'chstr	S	22	72
Blackpl.	S	21	70	Melbne.	F	18	64
Bordx.	S	27	81	Miami†	S	27	81
Boulgn.	S	24	75	Milan	S	24	75
Bristol	S	23	73	Montrl.†	C	16	61
Brussels	S	22	72	Moscow	R	14	57
Budpst.	S	22	72	Munich	S	19	66
Cairo	S	32	90	Nairobi	C	21	70
Cardiff	S	22	72	Naples	F	23	73
Cas'b'ca	S	27	81	Nwcstl	C	13	55
Cape T.	F	21	70	N York†	F	19	66
Chicg.†	C	13	55	Nice	S	24	75
Cologne	S	22	72	Oporto	F	21	70
Cpnhgn.	C	18	64	Oslo	S	19	66
Corfu	F	27	81	Paris	S	25	77
Denver†	F	16	61	Perth	S	20	68
Dublin	C	16	61	Prague	S	20	68
Dbrvnk.	S	25	77	Rykjvk.	F	8	46
Ednbgh.	F	16	61	Rhodes	S	26	79
Faro	S	26	79	Rome	S	28	82
Florence	F	24	75	Salzbrg.	S	20	68
Frankft.	S	22	72	S'cisco†	S	10	50
Funchal	F	25	77	Stckhm.	F	18	64
Geneva	S	19	66	Strasbg.	S	23	73
Gibrltr.	S	25	77	Sydney	S	18	64
Gl'sg'w	S	16	61	Tangier	S	25	77
G'nsey	S	22	72	Tel Aviv	S	29	84
Helsinki	C	16	61	Tenerife	S	27	81
H. Kong	C	27	81	Tokyo	C	24	75
Innsbrk.	S	21	70	Tunis	F	26	79
Invrnss.	C	14	57	Valencia	S	28	82
Istanbul	C	23	73	Venice	S	23	73
Jersey	S	24	75	Vienna	S	21	70
Jo'burg	S	17	63	Warsaw	C	16	61
L. Plms.	S	25	77	Zurich	S	19	66
Lisbon	S	25	77				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Study shows UK profitability gap widens

BY MARTIN DICKSON

BRITISH INDUSTRY has had substantially lower rates of return on fixed assets than its major international competitors since the early 1960s and the gap with many has appeared to widen significantly in recent years.

These are some of the major conclusions to be drawn from a statistical study of international corporate profitability drawn up by the Department of Industry and published in the latest issue of the magazine British Business.

The study looks at two measures of profitability: profit shares, defined as net operating surplus as a percentage of net value added; and net rates of return, the net operating surplus as a percentage of net capital stock of fixed assets.

Taking non-financial corporations as a whole, it finds that the relative positions of the UK, France and U.S. in profit shares have varied over the years but that when it comes to net rates of return, the UK has had the lowest since the early 1960s.

Japan had much the highest rate of return in the early 1970s but since 1975 it has been similar to the U.S. Otherwise, the U.S. or West Germany has the highest net rate of return.

The absolute and relative decline in the UK's performance can be seen from the fact that in the period 1963 to 1967 its net rate of return for non-financial corporations was 10 per cent against 12 per cent in France and 22 per cent in the U.S.

Between 1972 and 1975 the UK recorded just six per cent compared to 13 for France, 18 for Japan and 15 for the U.S. Over the 1976-79 period the average UK rate of return dropped to five per cent compared to nine in France, 15 in Japan and 15 in the U.S.

In manufacturing industry—where available statistics allow comparisons to be made with West Germany—the UK's net rate of return fell from 15 per cent in 1960 to 1962 to eight per cent in the 1972-1975 period and six per cent in 1976-1979.

Comparative figures for West Germany are 29 per cent, 18 per cent and 17 per cent and for the U.S. 26 per cent, 21 per cent and 22 per cent.

The study — which goes up to 1979 — notes that the profitability cycles in the different countries under review have been out of phase recently with Norway, Sweden and Canada reaching low points in 1977, two to three years later than elsewhere.

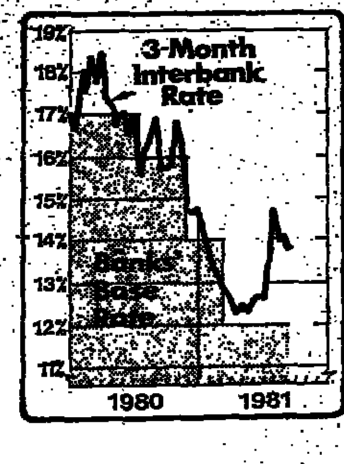
These countries have more recently been in a recovery phase while the U.S., UK and Japan had already completed their partial recovery from the severe recession in the mid 1970s and were starting to turn downwards again.

For manufacturing industry UK profit shares in 1979 were 13 per cent compared to 17, 16 and 12 per cent in the previous three years. Sweden, by contrast was up to 15 per cent in 1979, compared to eight per cent in 1976.

THE LEX COLUMN

Equities lose the American accent

It was not until last Friday that the UK equity market paid belated tribute to the weakness of the stock market on Wall Street—and indeed, to the recent setbacks in key markets elsewhere. The FT-Actuaries All-Share Index is still only about 3 per cent off its all-time high of mid-August, in sharp contrast to the languishing gilt-edged market, which is bumping along near its lowest of the year. It is gilts which are finely tuned in to transatlantic trends, to the extent that wobbles in the U.S. M1-B are spoining dealers' weekends, and analysts are eagerly poring over unlikely material such as figures for U.S. housing starts.



This is a curious reversal of the historical pattern, in which it was always UK equities which were much more sensitive to what was going on in New York. Part of the explanation may be that the recent UK civil servants' dispute has robbed the gilt market of much of its normal statistical fodder. But more fundamentally, the change reflects the way that the equity market has remained, very much of a domestic affair, whereas since the ending of foreign exchange controls the bond market has become locked into an international framework of currencies and interest rates.

It might just be worthwhile for some in the gilt-edged market to argue they should be allowed to take Labour Day off.

Maybe the British finance directors—members of the Hundred Group—who hit out last week at the high cost of borrowing from the clearing banks should emigrate to France. After all, something like half of French corporate borrowing from the banks is subsidised in one way or another, and last week the French Government went so far as to insist that the banks must cut quite sharply the rate of interest paid on certain categories of large deposits in order that their base lending rate can be reduced. Today, the reduction—admittedly only of 0.8 of a percentage point—will come into force.

In the UK, the London clearing banks lost no time last week in rebutting the claims of the finance directors that lack of competition was keeping the cost of loans up. The banks pointed out, quite properly, that an identical rate structure can be a sign of strong competition as well as of the presence of a cartel. The Hundred Group had simply muddled up the significance of a UK-style base rate and a U.S.-style prime rate; the UK clearers could happily lend however, miss the prominent Achilles heel of the London clearing banks. Why is it that at under base rate, in the same way that American banks sometimes lent at under prime rate, if they set it a point or two higher in the first place.

The finance directors did not, the endowment affect of cheap current account funds is not competed away, but accrues to the clearers' benefit or, sometimes, the Chancellor of the Exchequer's? Should not the benefit, if the system were competitive, be passed on to the customers of the banks?

Here, the reliance by the clearing banks on the old argument that their profits can only be assessed over a "full cycle" is scarcely convincing. Yet it is not easy to accept, either, that corporate customers should be entitled to make their own grab for the "endowment" gains, by proposing that any cheap sources of funds should be used to cut the cost of loans to industry and commerce.

Clearing banks

In fact, it is economically sound that the pricing of loans should be on the basis of the marginal cost of funds. What is unsatisfactory about the deposit structure of the clearing banks is that the marginal cost of funds can be quite different in the three major deposit markets in which they operate—current accounts, seven-day retail deposits and wholesale money markets. The area where more effective competition is needed is in the raising of deposits, not in lending.

The reason why the French can attempt to increase the amount of discriminatory pricing in banking is simply that competition is being eliminated from this system which is already largely nationalised and is soon to be completely so. There is also, of course, a framework of exchange controls to reduce the inevitable leakages.

The kind of favourable treatment which these leading finance directors appear to hope for cannot be provided in the context of what they describe as "true competition" but only in a rigged system. And in such circumstances, like in France, the distinguished financial executives might just find that their companies, too, were being nationalised.

Berec's initial attempt to persuade its shareholders of the inadequacy of Hanson Trust's takeover bid predictably concentrates on the high level of capital spending at Berec over the last few years. Some £11m of the £50m spent on capital account in the last three years, and a further £9m charged against profits, has gone on developing new battery products. Berec is wide open to the charge of having lagged behind its competitors on battery development, and it will be keen to show that it can now compete on realistic margins in the continental European market with alkaline manganese products.

Hanson/Berec

Having already forecast—just two days before Hanson's market raid—that the first six months' profit will be down, Berec is obliged to fall back on Whitehall-like assurances that the worst is now being passed. It has had two months to work on profit forecasts with its auditors, and it would be surprising if it did not predict that an improvement in the seasonally important second half was going to push profits above the £10.5m achieved in the year to February 1981. Analysts' forecasts vary from £11m to £14m—Berec's trading is only marginally above its low point but the decline in interest rates will help.

Berec will also be able to argue that the relatively small gap between its historic cost and current cost assets per share—194p and 234p in the last balance sheet—is a proof of spanking new plant, and both figures are of course way above Hanson's 110p offer. If Hanson's cash offer succeeds it will have acquired Berec for £68m, while to pay in shares on the present 3 for 8 basis would involve an increase of little more than 15 per cent in its equity capital, fully diluted. Neither way would there be any damage to Hanson's earnings per share, and until Hanson says that its offer is final, no one will believe that it is.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.